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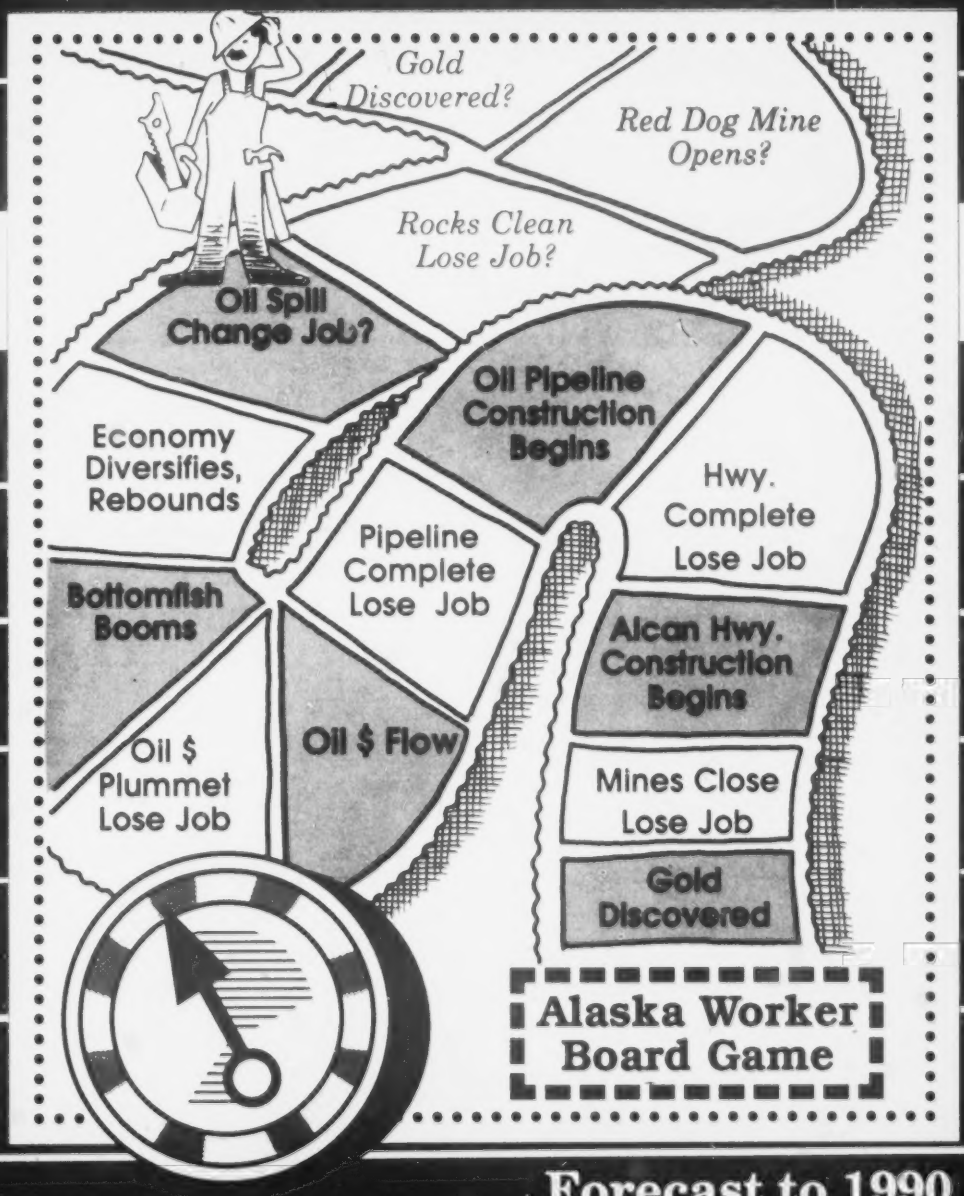
ALASKA ECONOMIC TRENDS



May 1989

Alaska Economy Rising from the Ashes

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Forecast to 1990

ALASKA ECONOMIC
TRENDS

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Alaska Economic Trends **is a monthly publication dealing with economic-related issues of Alaska. Opinions and analyses expressed by guest authors may not be consistent with those of the Alaska Department of Labor.**

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Cover Design by: Jim Fowler

Alaska Economy Rising from the Ashes

by John Boucher

Like the mythical phoenix arising renewed from ashes of the Arabian desert, Alaska's economy emerged in 1988 from one of the severest recessions in state history.

The recessionary fire which consumed the economy statewide was smothered last year, and like the mythical Egyptian bird, Alaska's economy has been renewed with fresh strength. It is a strength which has come from a trying ordeal.

There were winners and losers during the recession. While the surplus of commercial and residential real estate was disastrous for construction companies, investors, and financial institutions, marginally profitable businesses and all home buyers were treated to reduced rent and mortgage payments.

No doubt, the 1986-87 recession has proven a tough pill to swallow. But it has caused Alaska to become more competitive in the global world of trade by lowering the costs of living and business.

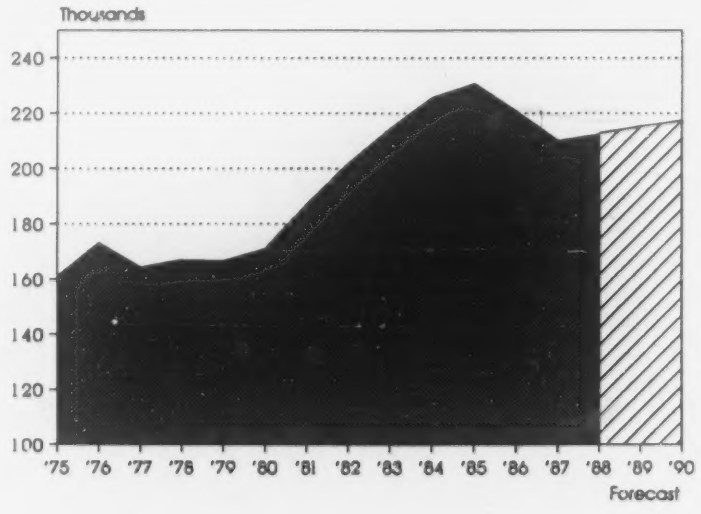
Alaska Employment Forecast: 1989-1990

State Now Has 24% More Jobs Than in 1980

While the recession was one of the worst in state history, it followed the typical pattern of prior Alaska boom-bust cycles. Each time Alaska has been struck by recession its economy has emerged larger. The 1986-87 recession was no exception. Alaska now heads into 1989 with 24% more jobs than it had in 1980, and an annual growth rate (averaged over the last 10 years) of nearly 2.5%. (See Figure 1.) This is the backdrop which sets the scene for a two-year, statewide economic forecast.

Figure 1

Alaska Annual Average Nonagricultural Wage & Salary Employment 1975 – 1990



Source: Alaska Department of Labor, Research & Analysis

Crucial Assumptions for the 1989-90 Alaska Economy

All forecasts rely upon assumptions about critical economic behavior patterns predicted to occur during the forecast period. It's crucial to understand that assumptions are the foundation upon which a forecast is built. The four assumptions which

follow represent the best judgment of Alaska Department of Labor economists based on the best information available. Some assumptions are more crucial than others; those which follow are the most crucial. (Other less critical assumptions significant to regional forecasts have been incorporated into this statewide forecast but are not listed here.)

- There will be no dramatic change in revenue available to the State of Alaska for government expenditure. (Implicit in this assumption is a North Slope crude oil price averaging between $14 and $17 per barrel during the next two state fiscal years. Also implicit in this assumption is no lengthy interruption of oil production or transport of the oil. Additionally, it is assumed that there will be no change in the export ban of Alaskan oil.)

- Secondary employment effects related to the Exxon Valdez oil spill will wash each other out during the forecast period. In effect, for every indirect job created due to the clean up effort, one job will be lost due to the ill effects of the spill.

- The dollar will remain at its current level or depreciate further against the Japanese yen.

- The U.S. and Pacific Rim economies, primary markets for Alaska exports, will continue to post healthy growth rates throughout the forecast period.

Alaska's economy took major strides during 1988 in bouncing back from the 1986-87 recession. But the rebound didn't magically extricate the state from its significant economic ties to the oil market.

Forecast for Alaska: Partly Cloudy With a Chance of Showers

Alaska's economy took major strides during 1988 in bouncing back from the 1986-87 recession. But the rebound didn't magically extricate the state from its significant economic ties to the oil market. Timber and seafood exports, mining, tourism, and transportation are all important facets of Alaska's economy. However, one of the single biggest engines driving this state's economy is the revenue that North Slope oil provides the State of Alaska and its local government entities. In the next two years, current job growth could be reversed because so many government jobs are tied to revenue produced by North Slope oil.

Slower Job Growth Predicted for State and Local Governments

The manufacturing and mining industries led Alaska to employment growth in 1988; they did so against a backdrop of stabilizing — and in many instances, growing — state and local government employment. Looking to the immediate future, it's doubtful that current growth trends in state and local government will continue through the next two years. In fact, it's likely that state and local government employment will be trimmed back from current levels.

Critical to this statewide forecast are questions linked to government employment growth: By how much will state and local government employment be trimmed back? Will layoffs in state and local government, coupled with secondary job losses that would occur in the private sector, offset employment growth created by those industries which have placed Alaska back on a path of progress?

This forecast projects that Alaska will continue moving on a growth path during the next two years despite what layoffs and secondary effects may occur due to government spending reductions. The growth rate will be minimal, though, due to the effects of government reductions. (See Table 1.)

Mining and Manufacturing Growth Picture Promising

Leading 1988 employment growth among Alaska industries were manufacturing and mining firms. The employment growth outlook during the next two years for these two industries continues to be promising.

Nearly 90% of all mining employment in Alaska is related to the oil and gas

industry. Recent oil price jumps from the lows of 1986 stirred a 1988 resurgence in exploration and development activity. Continued growth should occur during the next two years. As the Prudhoe Bay field ages, it will gradually become more labor intensive. More wells will be needed to keep production at peak levels. Reported industry plans for 1990 call for the construction of a gas handling facility. This, too, will add to employment levels.

In addition to oil and gas growth, the hard rock mining boom should continue into the '90s. Early 1989 marked the beginning of production at the Greens Creek Mine on Admiralty Island near Juneau. And by the end of this year the Red Dog mine near Kotzebue should be in operation. This will add nearly 200 new employees to mining employment levels. This sudden jump will increase by nearly 25% that portion of mining employment not connected to the oil and gas industry.

Other significant projects affecting future mining employment growth are: the Wishbone Hill coal project in the MatSu Borough, the Kensington mine located north of Juneau, the possible re-opening of the Alaska-Juneau gold mine in Juneau, and the Jualin mine. Each of these projects has its own timetable. Most, though, will contribute primarily developmental employment during the next two years. It can be safely said that several of these projects will contribute significantly to employment gains early in the next decade.

Timber Industry Moves North; Bottomfish Boom Continues

During the past two years the manufacturing industry provided more new job opportunities than any other industry. Credited to the turnaround are a resurging Southeast timber industry and a burgeoning bottomfish industry stretching from the Southwest to the Kenai Peninsula. These two

As the Prudhoe Bay field ages, it will gradually become more labor intensive.

Table 1

Alaska Nonagricultural Wage & Salary Employment Forecast 1989-1990

	1987 Annual Average	1988 Annual Average	Pct. Change 1987-1988	1989 Annual Average	Pct. Change 1988-1989	1990 Annual Average	Pct. Change 1989-1990
Total Nonag. Wage & Salary	210,025	212,250	1.1%	215,300	1.4%	216,800	0.7%
Mining	8,800	9,500	8.1	10,100	6.3	10,600	5.0
Construction	10,075	8,675	-13.9	8,000	-7.8	7,700	-3.8
Manufacturing	12,900	14,775	14.5	15,300	3.6	15,700	2.6
Seafood Processing	6,675	7,825	17.2	8,000	2.2	8,100	1.3
Lumber & Paper Products	3,050	3,600	18.0	3,800	5.6	4,000	5.2
All Other Manufacturing	3,175	3,350	5.5	3,500	4.5	3,600	2.9
Trans., Communications & Utilities	17,550	17,175	-2.1	18,375	7.0	17,325	-5.7
Trade	41,150	41,900	1.8	42,425	1.3	42,975	1.3
Wholesale	7,400	7,475	1.0	7,500	0.3	7,550	0.7
Retail	33,750	34,425	2.0	34,925	1.5	35,425	1.4
General Merchandise & Apparel	4,900	4,950	1.0	5,000	1.0	5,050	1.0
Food Stores	5,850	6,025	3.0	6,125	1.7	6,175	0.8
Eating & Drinking Places	12,450	12,725	2.2	12,950	1.8	13,100	1.7
Other Retail Trade	10,550	10,725	1.7	10,850	1.7	11,100	2.3
Finance, Insurance & Real Estate	11,325	10,700	-5.5	10,400	-2.8	10,300	-1.0
Services	42,450	42,925	1.1	43,500	1.3	44,200	1.6
Government	65,775	66,600	1.3	67,200	0.9	67,300	0.2
Federal	17,875	17,975	0.6	18,500	2.9	19,100	3.2
State	18,725	19,350	3.3	19,400	0.3	19,000	-2.1
Local	29,175	29,275	0.3	29,300	0.1	29,200	-0.3

Source: Alaska Department of Labor, Research & Analysis

Logging employment is expected to slow as native corporations exhaust their timber resources.

industries will continue to grow, but at a slower rate.

Growth in timber industry employment will slow because Southeast firms have nearly reached an employment peak. The Southeast's processing facilities worked at or near capacity in 1988. Further, logging employment is expected to slow as native corporations exhaust their timber resources. Significant new employment growth in this industry will either come from other regions of the state or from new investment in Southeast processing plants. Industry expansion into the Southcentral and Interior regions is taking place with timber industry activity gearing up in the Gulf Coast and MatSu areas. Nevertheless, it's expected that the industry will curb its torrid growth rates set in the past two years.

Although for different reasons, Alaska's bottomfish industry is also rapidly approaching peak employment levels. Future growth in the bottomfish industry is becoming more dependant upon the ability of the resource to support growth, rather than the capitalization problem that prohibited growth a few years ago.

There is tremendous potential for continued bottomfish industry growth should more of the current industry activity be captured. It's pertinent to remember that most bottomfish industry activity is based offshore, outside the state's three-mile jurisdiction. As a result, current Alaska Department of Labor statistics do not — and possibly never will — capture the bottomfisheries' total impact on Alaska. If more bottomfish activity became shore-based, or if more of the offshore processors were to become subject to Alaska unemployment insurance laws, growth statistics in this industry would be phenomenal. The growth rate projected for the seafood processing industry doesn't anticipate such a change. Yet it's predicted that that portion of the bottomfishery captured by government statistics will register gains in the next two years.

That portion of manufacturing employment unrelated to timber and fish is dominated by newspapers, and printing and publishing firms. This portion of the industry will see some growth, but not as vigorous as the timber and fishing portions of the manufacturing sector.

Construction and Finance Sectors Will Continue Downward Spiral

The construction and finance industries posted heavy employment losses in 1988. They are expected to sustain more employment losses during the next two years. About the best news that can be offered for these two industries is that the projected losses are expected to be smaller than those of recent years.

Typically, 6% of all wage and salary jobs in the state have been linked to the construction industry. During past construction booms, that figure has grown to 8-to-9 percent of all jobs. In 1988, the construction industry's share of total employment fell to nearly 4%, the lowest percentage since pre-statehood days. The 1989-90 question for this industry is not whether construction employment will grow, but whether it will stop losing employment.

For at least the next two years, the outlook for the construction industry is for continued contraction. The only good news for the industry is that the rate of job losses will be slower than that of the past four years. Some projects will help buoy the industry: the Bradley Lake hydroelectric dam, continuing construction at the Red Dog mine site, North Slope development, and the backscatter radar construction project. Yet there still will remain drags on the total construction employment numbers throughout the rest of this year. These drags will be caused by dropoffs in military-related

construction and continued malaise in the commercial and residential construction market. Any rosier outlook for 1990 is dependant upon stabilized real estate markets in Alaska's two largest cities.

More Trouble Ahead for Banks

Alaska's financial sector — its banks, credit unions, and savings and loan institutions — were rocked by the recession. Unfortunately, not all of the financial establishments have returned to health. Alliance Bank, an institution which emerged at the end of 1987 from a consolidation of three struggling banks, is the industry's latest casualty.

While the worst is probably over for the financial sector, continued employment losses are expected this year. In 1990, these losses should level off as the predicted contraction runs its course.

Other portions of the finance, insurance and real estate sector are healthier than the financial industry and should contribute some employment growth. In particular, the outlook for many of Alaska's native corporations is good. Most native corporations turned a profit in 1988, and the corporation's traditional ties to the fisheries and the timber industries make it likely that they will be a positive influence on employment during the next two years.

Transportation Industry Will Gain from the Oil Spill

The transportation, communications and utilities sector covers a broad range of industries. This causes the outlook for the sector to be mixed. The air transportation industry will benefit from increased economic activity occurring in the northern, southwest, and southeast regions of the state. Additionally, Anchorage is gradually gearing up for what could be a boom in the air cargo handling business, what with Federal Express' expansion plans and its recent acquisition of Flying Tigers.

The biggest mover in the transportation industry will be with waterborne businesses. Showing up in this industry will be the majority of workers recently deployed to clean up the oil spill caused by the grounding of the Exxon Valdez. As of this writing, plans call for the oil spill work force to reach a peak of nearly 4,000 during the summer of 1989. Although these numbers will dwindle rapidly as winter approaches, it is likely that some employment will continue into 1990.

Tourism related transportation employment will remain stable during the next two years as the industry goes through some restructuring. In the Southeast, the transportation sector will sustain a drop in the number of cruise ship visits; at the same time however, many cruise lines are adding Southcentral destinations. Currently, it appears likely that changes in the tourism industry will cause transportation employment growth to shift from the Southeast to other regions of the state. This presumes, however, that the recent Exxon Valdez oil spill won't cause drastic changes in Alaska tourists' vacation itineraries.

Little or no change is expected for other sectors of the transportation industry. Statewide population losses subsided during 1988, so the pressure on population-driven utilities — such as telephone and electric companies — to meet new, lower levels of service have also subsided. The possible sale by the Municipality of Anchorage of its phone utility to private interests would dramatically affect the communications sector. This forecast presumes that if this sale were to occur, the employment shifts caused by the sale would develop outside of the forecast's two-year horizon.

Unfortunately, not all of the financial establishments have returned to health.

Slow, Cautious Growth Ahead for the Secondary Trade and Service Sectors

Employment in the services and trade sectors is driven predominantly by the availability of people's disposable income. When there is a large amount of disposable income, purchases of discretionary goods and services rise. This, in turn, creates employment in these sectors' industries. Also serving as a barometer for the health of the service and trade sectors are consumers' economic expectations; expectations must be conducive to spending. People must believe that spending is a prudent course of action. Otherwise, they will tend to save more than they would normally.

During 1988 it was apparent that Alaskans' economic expectations improved. Big ticket items, such as automobiles and durable goods, began selling. This movement was made evident by employment gains seen in these retail trade industries.

It's probable that the state's and local governments' current employment levels will be reduced during the next two years.

However, the return of growth in 1988 to various retail and services industries should not be considered a harbinger of future substantial employment growth for services and trade sectors' industries.

Slow Growth Predicted in Alaskans' Incomes

During the next two years there will be slow growth in Alaskans' income. Because it is expected that few sectors' wages will be bid upwards to compete for workers, it is unlikely that Alaska workers' incomes from wages and salaries will rise appreciably. The relatively slow growth projected for Alaskans' income translates into slow employment growth in the secondary sectors of trade and services. Further, to the extent that any amount of inflation erodes income growth, the growth in these two sectors would be additionally restrained.

State & Local Government Employment: Up This Year, Down in 1990

Despite uncertainties in the state's budget at this writing, the outlook for employment in state and local government is for slight growth in 1989, followed by declines in 1990. Part of this session's legislative agenda, it appears, is to pare state spending. Paring spending could have varied results, one of which would be cutbacks in state and local government employment.

Due to the probable delay as to when any government employment cuts would go into effect (remembering that July is the start of the state's fiscal year), overall growth can occur from the start of Calendar Year (CY) 1989 to the end of CY 1990 even though layoffs are enacted in the second half of CY'89. Suffice it to say that despite the forecasted growth projections for 1989, it's probable that the state's and local governments' current employment levels will be reduced during the next two years.

Federal Government Employment to Benefit from 1990 Census

Federal government employment is not normally prone to shifts from year to year. The year 1989 is expected to be normal; however, 1990 will prove to be an exception to the rule. At least 600 people will be temporarily added to the federal payroll to implement the 1990 census project. Additionally, the Alaska National Guard is expected to receive more staff over the next two years. Aside from these two developments, federal government employment is expected to remain stable.

Conclusion: Slow Growth Over Next Two Years

The Alaska employment forecast for the next two years calls for slow growth. This forecast is based on predicted continued growth in manufacturing and mining industries and slight growth or stability in transportation, trade, and services industries. The construction and financial sectors will continue to struggle. This varied industry activity will occur against a backdrop of relatively stable — although somewhat declining — government employment.

This two-year forecast is predicated on the assumption that there won't be any dramatic shock startling the statewide economy. The magnitude of industry employment changes will be ordinary unless some kind of shock occurs.

While it's difficult to predict what, if any, economic shock might be forthcoming, it is useful to glance at what elements have recently affected the Alaska economy.

The past decade has been dominated by events occurring in the oil industry and by the associated Prudhoe Bay revenues paid Alaska's governments and citizens. It would seem almost foolhardy to look anywhere else for another event that might impact employment in a comparable way.

With that in mind, the Alaska employment picture over the next two years is likely to be marked by slow growth.

About the Author:

John Boucher is a labor economist employed six years with the Research & Analysis Section, Administrative Services Division, Alaska Department of Labor. He is based in Juneau.

A Free Practicum for Alaska Job Counselors

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Recovery Coming At A Snail's Pace

ANCHORAGE Employment Forecast: 1989-1990

by Neal Fried

If the forecast for 1989 and 1990 is on target, Anchorage's economy will finally enjoy some growth after three years of decline.

This forecast predicts that employment will move forward this year and the next, albeit slowly — employment will grow less than one percent in both years. (See Table 1, page 10.)

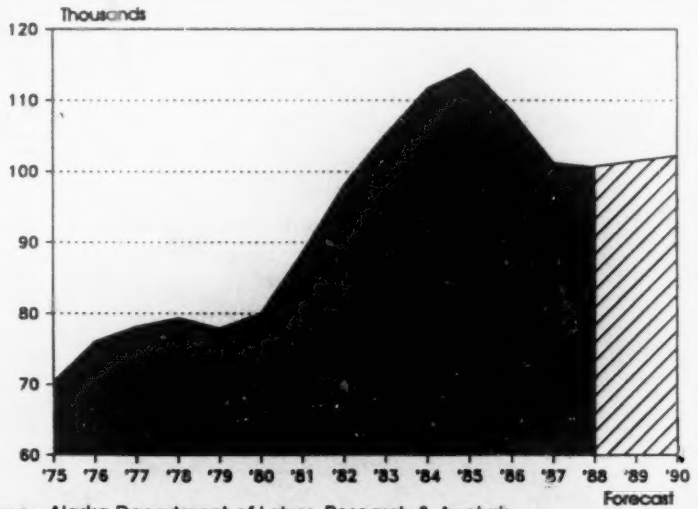
This would be the slowest recovery in Anchorage's history, but a recovery nonetheless. Considering Anchorage's historic growth rates, some might rightfully characterize this projected recovery as little better than stagnation. Nevertheless, this microscopic rate of growth does represent a vast improvement over the loss of 13,900 jobs from 1986 to 1988. (See Figure 1.)

Forecast Assumptions:

- The price of North Slope crude oil will between $14 and $17 a barrel in 1989 and 1990.
- The state's operating budget will decline $150 million from the FY '89 level.
- The Anchorage Telephone Utility (ATU) will not be sold during the forecast period.
- The Municipality of Anchorage will not create additional revenue sources, such as a sales tax.

Figure 1

Anchorage Annual Average Nonagricultural Wage & Salary Employment 1975 – 1990



Source: Alaska Department of Labor, Research & Analysis

The Alaska State budget shortfall is preventing a 'no holds barred' recovery in Anchorage. Because it's assumed that the state's budget will decline 6% to 7% in both years, the losses in local and state government will offset some growth in other industries. Timber, fishing and hard rock mining ventures are injecting oxygen into the blood of the statewide economy. The trouble is, though, Anchorage presently benefits little from any of these industries. Given the fragility of Anchorage's recovery, larger cuts in the state's budget could derail it.

Oil Industry Employment Will Grow About 16% in Next Two Years

Oil, the dominant player in the mining industry, has made a come back, and its employment is forecast to grow for the next two years. Oil industry employment started strong in late 1988; its employment will grow 8.8% in 1989 and only slightly less in 1990. The two major North Slope producers plan to spend more during the next two years on production and exploration. The reopening of Milne Point, coupled with development work at Prudhoe Bay, Kuparuk, and other fields, should keep the industries' employment numbers growing. One of the largest development projects will be a new gas handling facility scheduled for a sealift to Prudhoe Bay in 1990. At its peak, this project will employ 1,750 workers in Prudhoe Bay. This is all good news for Anchorage, Alaska's mining industry headquarters.

Although a tiny industry in Anchorage, hard rock mining activity will augment the mining industry's growth. In absolute numbers its contribution will be small. But spinoffs — from the Red Dog mine in Norton Sound, Southcentral mining operations, and exploration work elsewhere — will keep its employment numbers growing.

New Life Breathed into Transportation Industries

Transportation, an industry that followed most other industries into decline during the past three years, may finally push ahead during the next two. Both air and water transportation statistics are finally exhibiting new life as the local population stabilizes, the economy recovers, and international cargo traffic climbs.

The big surprise in the transportation industry was the recent announcement by Federal Express about the construction of a new international air package sorting hub in Anchorage. By October 1989 when the sorting facility opens, company officials say they plan to hire 50 new employees; some observers predict the numbers could reach as many as 300 by 1990. In addition, now that Federal Express is acquiring Flying Tigers, some believe the combination of these two carriers could eventually push employment to the 1,000 mark. Optimists believe this may be the first step toward making Anchorage a major international cargo sorting hub.

There is also a downside to the air transportation story. The Soviet Union's new glasnost, coupled with new long range passenger jets, means there will be fewer international passenger jets touching down in Anchorage. Glasnost will also enable more jets bound for Europe and Asia to fly via Siberia instead of Anchorage. Japan Airlines and Lufthansa officials have already announced their intentions of cutting back their Anchorage operations. It's as yet unknown how many other international passenger airlines will follow suit. But additional losses are almost inevitable during the next decade as airlines acquire the new long range jets.

The Soviet Union's new glasnost, coupled with new long range passenger jets, means there will be fewer international passenger jets touching down in Anchorage.

Personal Income Growing, Population Stabilizing

Anchorage's two largest secondary industries, trade and services, are exhibiting strong growth and are projected to continue to push ahead. Retail trade and services are both driven by population and income. Personal income is finally beginning to grow again, and it appears the city's population is stabilizing. Continued release of pent-up demand, caused by the recent years of consumer frugality, will also help to inject new life into these industries during the next two years.

On Tourism: Hotels Booked, But Oil Spill Casts Doubt

Before the Exxon Valdez oil spill, the 1989 tourism season was shaping up nicely, despite abundant notoriety gained during the past several months as a result of nationwide publicity about the cold snap and trapped whales.

The oil spill has removed some of the sheen from a previously optimistic outlook for tourism.

The tour package companies and hotels have reported healthy bookings for this season. A number of Anchorage hotels have already turned away summer business. Factors keeping visitors coming to Alaska include a weak dollar, an uncannily strong national economy, and various visitor promotions.

The oil spill has removed some of the sheen from this optimistic outlook for Anchorage. There have been cancellations of small Prince William Sound charter operations. At the same time, however, Anchorage tourism businesses haven't reported any large cancellations. It's too early to tell what impact the spill might have on Anchorage's tourism industry. The spill does, though, cast a shadow of uncertainty on the industry's future health.

Federal Employment Levels Will Remain Stable

The federal government's overall employment levels should not change much. Consolidation of the Light Infantry Division in Fairbanks may eventually mean that 200 to 300 uniformed military positions will be transferred from Fort Richardson in Anchorage to Fort Wainwright in Fairbanks. But, according to military sources, no changes will occur in Anchorage's civilian military personnel levels. It is expected, however, that federal civilian employment will grow as Air and Army National Guard expansion plans are implemented. In addition, the 1990 census will gear up in 1990, boosting federal employment by another 50.

Table 1

Anchorage Nonagricultural Wage & Salary Employment Forecast 1989-1990

	1987 Annual Average	1988 Annual Average	Pct. Change 1987-1988	1989 Annual Average	Pct. Change 1988-1989	1990 Annual Average	Pct. Change 1989-1990
Total Nonag. Wage & Salary	101,200	100,600	-0.6%	101,400	0.8%	102,050	0.6%
Mining	3,100	3,400	9.7	3,700	8.8	3,900	5.4
Construction	5,300	4,200	-20.8	3,800	-9.5	3,800	0.0
Manufacturing	2,300	2,500	8.7	2,600	4.0	2,650	1.9
Trans., Communciations & Utilities	9,400	9,200	-2.1	9,200	0.0	9,300	1.1
Trade	23,400	24,100	3.0	24,700	2.5	25,300	2.4
Wholesale	5,600	5,600	0.0	5,700	1.8	5,800	1.8
Retail	17,800	18,500	3.9	19,000	2.7	19,500	2.6
Finance, Insurance & Real Estate	7,600	7,200	-5.3	6,900	-4.2	6,900	0.0
Services	24,100	24,400	1.2	24,900	2.0	25,300	1.6
Government	25,900	25,600	-1.2	25,600	0.0	24,900	-2.7
Federal	10,300	10,300	0.0	10,300	0.0	10,400	1.0
State	6,700	6,900	3.0	7,000	1.4	6,500	-7.1
Local	8,900	8,500	-4.5	8,330	-2.4	7,950	-4.2

Source: Alaska Department of Labor, Research & Analysis

State Government To Decline in 1990

Although state government employment has exhibited relatively strong growth over the past six months, this trend is not likely to last much longer. Declines are not predicted for 1989 because of the growth that occurred in the first half of the year. However, it is believed that revenue shortfalls will cause state employment numbers to fall in 1990. What form these declines will take is difficult to predict. State employment will decline, whether it be through attrition, early retirement, layoff notices, or any combination of the three.

Municipality of Anchorage Will Remain Strapped Financially

Little relief is foreseen for local government, particularly for the Municipality of Anchorage. The city reduced its budget once again in 1989. The year 1990 doesn't look much brighter. Property values are unlikely to rebound in the near future, and with the state desperately seeking revenues, a reduction in local government assistance is a likely scenario. The city will remain strapped for revenues during this forecast's horizon.

Construction Will Lose More Ground

Construction employment will lose more ground in 1989, and will finally reach bottom in 1990. An overabundance of commercial property and lack of public funds will cause additional down-sizing in the public and commercial construction sectors. This is not to say there will be no activity in these sectors. Some of the more visible projects include the expansion of the Alyeska Resort, construction of the Eagle River-Highland bridge, reconstruction of Raspberry Road and Minnesota Drive, and completion of the Rabbit Creek/DeArmond interchange. These projects, though, simply do not represent enough activity to prevent additional small declines.

Residential construction is the only sector of the industry that will exhibit any sign of new life. From a low base of 220 single family building permits issued in 1988 (compared to 3,468 permits in 1983), the number of new single family home starts could grow to 250 or 300 in 1989. A majority of these homes will be custom built. There will be little or no construction of 'spec houses', and multifamily residential construction will remain dead.

Little relief is foreseen for the Municipality of Anchorage.

Fewer Financial Industries on Critical List

Anchorage's financial industries will still try to pull themselves out of fiscal mire in 1989. Eleven Anchorage-based financial institutions have either closed or reorganized since 1986. This is especially significant when one considers that the last time any financial institution had to close its doors in Alaska was during the great depression. The good news may be that not many additional institutions are on the critical list. By 1990, most of the restructuring in the financial industry should be complete.

Anchorage's Job Market Looks Better Than its Economy

Although only slow employment growth is forecast, the job market will be more lively. All indicators are looking good. Column inches of newspaper want ads have grown by 33%. The number of job openings is climbing at the Anchorage Job Service Office. Some employers are complaining about a lack of applicants. Many graduates of University of Alaska-Anchorage career and vocational programs are being heavily recruited. However, job opportunities in the construction industry and the public sector will remain scarce.

Probably the biggest plus for the local job market is that there are no immediate prospects for a large influx of job searchers from the Lower '48. National unemployment rates keep falling to new lows. The robust national job market means that fewer job searchers from the lower 48 states will pursue their fortunes in Alaska. But if the economists are finally right about a recession gripping the nation sometime in 1990, a more competitive job market will develop in Anchorage.

The Sights Are Set Low

The sights for Anchorage's economy have not been set very high for 1989 and 1990. Any amount of growth will represent a welcome change from the recent past. However, the present state's oil revenue shortfall casts a long shadow. Although the Anchorage economy is not one that characteristically muddles along, that may be just what's in store for it for the next two years.

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Economy Heads Upwards (At Last)

by Holly Stinson

FAIRBANKS Employment Forecast: 1989-1990

After losing jobs for three years, the Fairbanks economy is expected to grow slightly in 1989. (See Table 1.) The growth will continue into 1990, but is projected to continue at a somewhat slower rate.

Fairbanks employment grew almost 40% from 1980 to 1985 when 8,000 new jobs were created. Then, in the recession of 1986-88, almost half of these jobs were lost. (See Figure 1.) Although the rate of job loss slowed in 1988, there were still 150 fewer jobs that year than in 1987.

Fairbanks Predicted to Gain 325 Jobs in 1989

Instead of losing this year, the Fairbanks economy should gain a few jobs in 1989. The 1989 growth projected for Fairbanks is small, a net gain of 325 jobs. But at least the economy is headed in the right direction.

Although Fairbanks' total employment growth began in October 1988, not all industries saw any glimpse of a turnaround then. And still today, there are some industries which have not yet seen increased employment. Some industries remain stagnant; worse, others are still declining. Construction employment continues — and will continue — to fall. The already weakened finance, insurance and real estate industries will do well to remain at 1988 employment

levels for the next two years. Those industries that actually see growth in the next two years will see it at a very small rate.

Three Assumptions Critical To This Forecast:

The following three assumptions provide the foundation upon which this article's forecast is built. This Fairbanks employment forecast pertains to the two-year period 1989-90. A change in any one of the three assumptions could alter the economic outlook considerably.

- The price of North Slope crude oil in 1989 and '90 will come in between $14 and $17 a barrel.
- The state operating budget will decline $150 million from the FY '89 level.
- The military will increase uniformed personnel in Fairbanks, but not civilian employment, in 1989 and 1990.

Construction Employment Will Continue to Fall

As it will elsewhere in the state, the beleaguered construction industry will continue to lose jobs in Fairbanks. However, the loss will be small compared to the shrinkage of the mid-1980s.

By 1987, Fairbanks had only one-half as many construction jobs as it had in 1985. Since 1987, military related construction projects at Fort Wainwright and Eielson Air Force Base kept employment levels in this industry from declining even further. The military spent over $140 million in Fairbanks in Federal Fiscal Year (FFY) '88 (Oct. '87 to Sept. '88). This money went into new construction, and remodeling and maintenance of existing buildings.

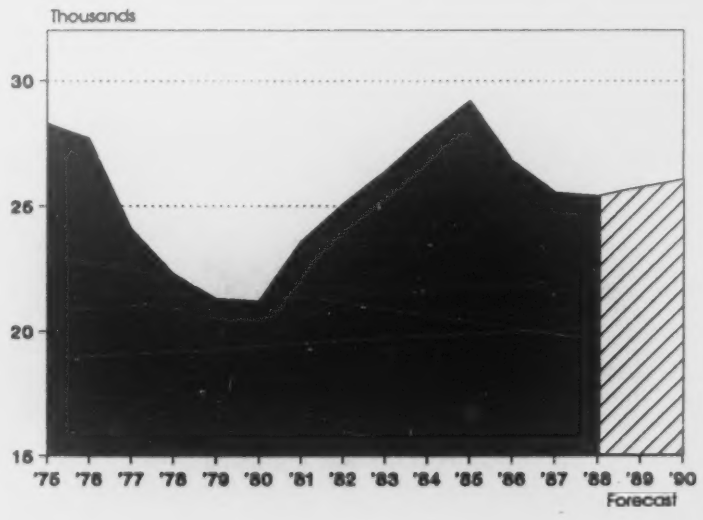
The Pentagon's construction budget in Fairbanks will drop 25% in FFY '89 to just over $100 million. That figure will be halved in FFY '90 to $50 million. Thus, the construction industry's employment will decline as the military budget declines.

Local government building projects may help prevent a steep decline, but they won't fill the gap left by the military. Fairbanks city policymakers predict a 1989 construction budget amounting to two-thirds that of 1988. Meanwhile, in 1989 the Fairbanks North Star Borough will complete construction of a community center and two schools. After that, the borough's public works department has on its construction schedule only small repair and maintenance jobs. Highway construction will remain at current levels for the next two years. Finally, the state's FY 1990 capital budget includes only $15 million for various city and university building projects. This figure, small as it is, is not a final one and could be lower yet.

The Pentagon's construction budget in Fairbanks will drop 25% in FFY '89 to just over $100 million.

Figure 1

Fairbanks Annual Average Nonagricultural Wage & Salary Employment 1975 – 1990



Source: Alaska Department of Labor, Research & Analysis

The area's only large project on the construction horizon, while not in Fairbanks, may employ some Fairbanks workers. The Air Force's backscatter radar projects near Gulkana and Tok will employ 100 people at each of the two sites during peak construction days. The projects are scheduled to begin in late 1989 or early 1990. Air Force officials estimate they will spend $450 million before the new radar projects are completed in 1993.

In the private sector, BP Exploration will spend $6 million and employ about 75 construction workers in 1989 to build modules destined for the newly developing Hurl State field on the North Slope.

The city of Fairbanks is short $3 million to meet its current fiscal year budget.

State Payroll Shrinking

Even with the price of oil in the $14 to $17 a barrel range, there is a gap between the state's operating budget and revenues. Presuming there will be a decline of at least $150 million in the FY '90 operating budget and further declines in the FY '91 operating budget, state government employment in Fairbanks will drop by 1990. The projected $150 million shortfall can be safely described as conservative. If the budget shrinks more, so too will the number of state jobs. A drop in the number of state workers and their paychecks would definitely have a negative impact on other Fairbanks sectors.

School District Expects Enrollment Drop; City is Short Revenue

During 1989 local government employment will remain at 1988 levels. The Fairbanks school district is anticipating a 1.5% enrollment decline in the 1989-90 school year. The borough's recent proposed annexation of land — on which oil pump station #7 (and its associated revenues) is located — was defeated by the legislature. The city is still short $3 million to meet its

Table 1

Fairbanks Nonagricultural Wage & Salary Employment Forecast 1989-1990

	1987 Annual Average	1988 Annual Average	Pct. Change 1987-1988	1989 Annual Average	Pct. Change 1988-1989	1990 Annual Average	Pct. Change 1989-1990
Total Nonag. Wage & Salary	25,550	25,400	-0.6%	25,725	1.3%	25,925	0.8%
Mining	150	150	0.0	175	16.7	200	14.3
Construction	1,550	1,500	-3.2	1,450	-3.3	1,400	-3.4
Manufacturing	550	600	9.1	625	4.2	625	0.0
Trans., Communications & Utilities	2,000	1,850	-7.5	1,850	0.0	1,875	1.4
Trade	5,550	5,700	2.7	5,825	2.2	5,925	1.7
Wholesale	750	700	-6.7	725	3.6	750	3.4
Retail	4,800	5,000	4.2	5,100	2.0	5,175	1.5
Finance, Insurance & Real Estate	850	800	-5.9	800	0.0	800	0.0
Services & Miscellaneous	5,800	5,700	-1.7	5,800	1.8	5,900	1.7
Government	9,150	9,150	0.0	9,200	0.5	9,200	0.0
Federal	2,850	2,750	-3.5	2,800	1.8	2,900	3.6
State	3,750	3,850	2.7	3,850	0.0	3,700	-3.9
Local	2,600	2,550	-1.9	2,550	0.0	2,600	2.0

Source: Alaska Department of Labor, Research & Analysis

current fiscal year budget. The city's potential source of additional revenue, a 3% sales tax, was to have taken effect April 1. But it is still in legal limbo, and if instituted at all will not generate the $6 to $8 million in 1989 revenue originally anticipated.

Feds Are Expanding

Federal government employment will grow slightly in 1989 and considerably more in 1990. Civilian employment at the Fairbanks area bases will remain at current levels. By 1990, the Air National Guard stationed at Eielson is expected to double its fleet of tanker planes. For Eielson, this translates to about 70 new full-time jobs and over 400 part-time Guard jobs. (Alaska Department of Labor employment numbers include civilian employees on military bases but not the uniformed military. Included also are full-time National Guard employees.) Lastly, federal census bureau employees, hired to conduct the decennial census, should account for an annual average increase of 25 workers in 1990.

Military Contributes to 'About Face' in Economy

The already sizeable Fairbanks military presence will increase even more over the next two years. (See Figure 2.) The numbers of uniformed military at Eielson Air Force Base will remain steady for 1989-90; Fort Wainwright, though, will gain almost 1,200 new soldiers in the next two years. Some of this rise is attributed to the continued increased staffing of the 6th Light Infantry Brigade. Another portion of the rise is linked to the relocation of Army headquarters staff from Fort Richardson to Fort Wainwright.

The 700 soldiers stationed in Fairbanks during 1988 were mostly young singles; they brought with them only 70 dependents. In contrast, the total number of dependents relocating to Fairbanks in 1989 and 1990 will outnumber the total number of new soliders. These dependent family members will compete for existing jobs in Fairbanks. At the same time, however, their demand for goods and services will also help create jobs. Those families who live off the military bases will absorb some of the current housing surplus.

The increased number of military and their dependents will help the trade and services industries slowly expand in both 1989 and 1990. The trade and service sectors should also gain employment as a result of a projected rise in tourism. Large tour operators anticipate a better tourist season in 1989 than 1988 (and no one is complaining about the 1988 season). It will be the personal side of the service sector (for example, the hotel and health industries), rather than the business side (the accounting and engineering industries), which will account for most of the growth in this sector.

FIRE Industries Caught in a Lingering Recession

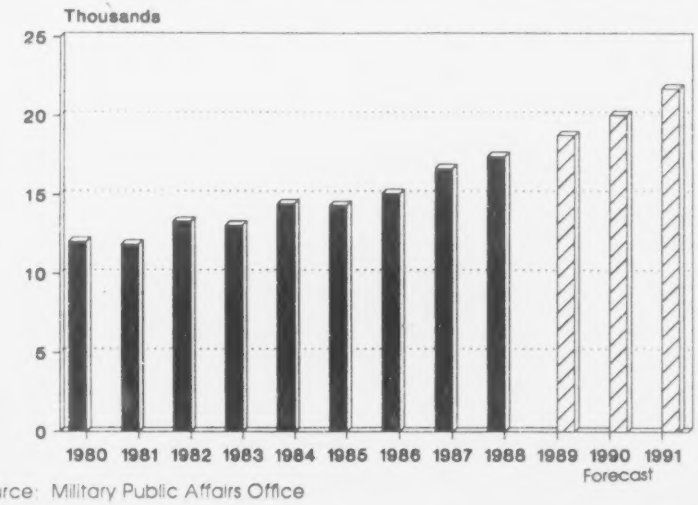
The military will help the Fairbanks economy execute an 'about face' in 1989 and 1990. But even 2,600 new soldiers and dependents arriving in Fairbanks during the next two years will not create enough additional demand to turn around the local real estate market. Additional on base housing now being built for soldiers and their families will translate into declining pressure on Fairbanks' private real estate market in coming years.

Fairbanks' surplus of residential properties contributed to declining prices in 1989 for the third year in a row. The commercial market also continues to wallow in excess capacity. And financial institutions are still reeling from the impact of foreclosures

The already sizeable Fairbanks military presence will increase even more over the next two years.

Figure 2

Military & Dependents Stationed in Fairbanks



Source: Military Public Affairs Office

and bankruptcies. During 1988, the number of foreclosed properties and bankruptcies (including both personal and business bankruptcies) remained near the high numbers of 1987. As a result of all these factors, no growth is projected for FIRE (Finance, Insurance and Real Estate) industries over the next two years.

Slow Growth Seen for the Mining and Manufacturing Sectors

Encountering some employment growth over the next two years, albeit slow, will be the mining and manufacturing sectors. The rise in mineral exploration activity seen in 1988 should continue. However, mineral prices must remain healthy if exploration is to turn into development. And even if mineral prices remain at encouraging levels, any significant mining development in the Fairbanks North Star Borough is not expected to occur in the next two years.

Manufacturing jobs increased 9% in 1988. Several small enterprises contributed to this rise; their contribution should lessen in 1989. Flow Line, a small, private firm, added 30 jobs to this sector earlier this year when it received a six month contract to insulate pipe for North Slope oil companies. Meanwhile, a local manufacturer of batteries hopes to export products to Canada, and a manufacturer of dog food is shipping its product to Norway. Small enterprises like these will, in the aggregate, contribute to a few more jobs in the manufacturing sector.

Conclusion: Very Small Expansion In Next Two Years

Although no large projects are planned for Fairbanks' immediate future, an increasing military presence, combined with slow growth for many industries, will contribute to an expanding economy in 1989 and 1990. The expansion is indeed very small, but for those who have weathered the last three years' recession, even a small amount of growth is an encouraging trend.

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1.2% Annual Employment Growth Projected

by Brian N. Rae

SOUTHEAST Employment Forecast: 1989-1990

If in the Southeast the years 1986 and 1987 are best remembered for economic decline and the year 1988 for economic revival, then 1989 and 1990 will likely be remembered as the years of moderation. Southeast employment should continue to rise over the next two years, but at a much slower rate than 1988. (See Figure 1.) The increase is expected to amount to about 700 jobs — a 2.4 percent gain over the next two years.

Assumptions:
Tongass Harvests Will Stay the Same, and Metal Prices Will Remain High

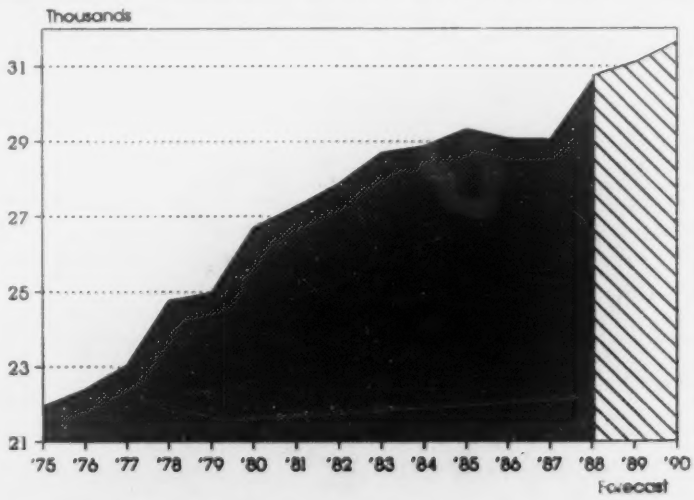
When forecasting any region's employment, certain assumptions must be made about future economic events important to the entire state. The following list of assumptions/predictions are those which Alaska Department of Labor (DOL) economists view as most plausible. Some of these assumptions are more important than others to the Southeast economy. Any assumption proved wrong will affect this article's projections.

For this two-year forecast period, it's assumed that:

- There will be little change in state oil revenue, with the price of Alaska North Slope crude staying within the $14 to $17 per barrel range;
- The dollar will not strengthen appreciably against the Japanese yen;
- Even if new legislation on the Tongass National Forest is passed, there will be no reduction in harvest levels;
- World metal prices will remain high enough to attract continued mining development.

Figure 1

Southeast's Annual Average Nonagricultural Wage & Salary Employment 1975 – 1990



Source: Alaska Department of Labor, Research & Analysis

The Tongass National Forest debate and the dwindling supply of native timber continue to be of concern to Southeast timber companies.

Diversification Has Brought Stability

The Southeast economy has remained stable primarily due to the diversity of its basic sector industries. While not all these industries have fared equally well over the last two years (see Table 1), their combined impact on the Southeast economy has served to buffer economic shocks that have stunned other regions of the state. This forecast projects growth pattern changes among baasic sector industries. These predicted changes are not expected to affect, however, the industries' combined strength. Nor will the changes interrupt the basic sector industries' continued ability to provide new opportunities for growth in the support sector industries.

Timber Supply Uncertainty Will Retard Investment

The Southeast's manufacturing sector set the pace of the region's 1988 economic turnaround. This sector's major industries — seafood processing and timber — will see employment gains level off during the next two years. (See Figure 2.)

In the timber industry there are several impediments to continued growth. Many industry facilities are at or near full capacity. Although some new facilities have been brought on line or have added shifts, this increased capacity will not sustain the growth seen over the past two years. Markets are now good for Alaska timber products, but uncertainty within the industry about future timber supplies have hampered additional investment in plants and facilities. Both the Tongass National Forest debate and the dwindling supply of native timber have been — and will continue to be — a concern to Southeast timber companies.

The opportunity to expand the value-added processing of Alaska timber products over the past several years has been good for two reasons: 1) Alaska timber products have held and continue to hold a strong position in world

Table 1

Southeast Nonagricultural Wage & Salary Employment Forecast 1989-1990

	1987 Annual Average	1988 Annual Average	Pct. Change 1987-1988	1989 Annual Average	Pct. Change 1988-1989	1990 Annual Average	Pct. Change 1989-1990
Total Nonag. Wage & Salary	29,100	30,650	5.3%	30,925	0.9%	31,425	1.6%
Mining	100	200	100.0	275	37.5	350	27.3
Construction	1,100	1,050	-4.5	1,050	0.0	1,100	4.8
Manufacturing	4,350	5,150	18.4	5,225	1.5	5,250	0.5
Seafood Processing	1,150	1,400	21.7	1,375	-1.8	1,375	0.0
Lumber & Paper Products	2,950	3,450	16.9	3,525	2.2	3,525	0.0
All Other Manufacturing	250	300	20.0	325	8.3	350	7.7
Trans., Communications & Utilities	2,150	2,250	4.7	2,300	2.2	2,375	3.3
Trade	4,600	4,800	4.3	4,850	1.0	4,975	2.6
Wholesale	400	450	12.5	450	0.0	475	5.6
Retail	4,200	4,350	3.6	4,400	1.1	4,500	2.3
Finance, Insurance & Real Estate	1,050	1,050	0.0	1,000	-4.8	1,000	0.0
Services	4,600	4,800	4.3	4,900	2.1	5,000	2.0
Government	11,200	11,450	2.2	11,325	-1.1	11,375	0.4
Federal	2,000	2,000	0.0	2,025	1.3	2,075	2.5
State	5,000	5,150	3.0	5,050	-1.9	5,000	-1.0
Local	4,200	4,300	2.4	4,250	-1.2	4,300	1.2

Note: Numbers may not add due to rounding.

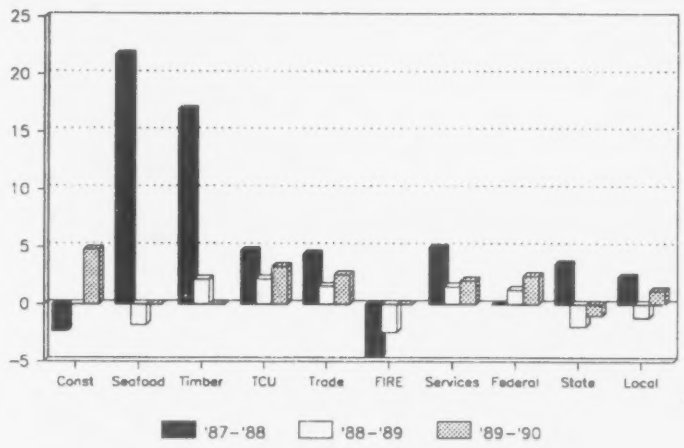
Source: Alaska Department of Labor, Research & Analysis

markets due to the low yen/dollar ratio; 2) There remains little competition from other suppliers as there are few perfect substitutes for Alaska timber. These two factors have provided and still provide the opportunity for additional value-added processing, all the while maintaining a competitive price for the finished product.

Concerns about the future supply of Alaska timber impedes additional value-added processing. The capital investment needed for these new plants and equipment would likely take several years to return a profit. The outcome of pending legislation changing the amount of timber available for harvest from the Tongass National Forest will greatly determine the future of value-added processing of Alaska's timber products.

Figure 2

Percent Employment Change in Southeast Industries



Source: Alaska Department of Labor, Research & Analysis

Seafood Processing Job Numbers Will Remain Stable

Like the timber industry, Southeast seafood processing industry employment levels should, over the next two years, be similar to those of 1988. Some nervousness in this industry over the past two years has been caused by lower than projected salmon returns. Because most Alaska commercial fisheries have brief openings and product quality concerns keep processing plants running at full tilt during these brief openings, the number of persons employed should remain stable. For this reason, if there are decreased commercial harvests the number of *hours* workers are employed would drop; not necessarily decreasing, though, would be the *number* of workers.

Processors report higher than average inventories of many products. This may lower prices from their unusually high levels of the last two years, possibly reducing wages and the amount of money flowing through the Alaska economy.

175 New Mining Jobs Seen in Next Two Years

Although still a small employer in the Southeast, the impact of mine development is being felt throughout the economy and particularly in the Juneau area. During the next two years, mining is expected to provide 175 new jobs. Of greater importance, though, is the amount of money and other jobs created during the mines' exploration and construction phases. For example, prior to the hiring of about 200 miners at the Admiralty Island Greens Creek mine, start up projects boosted employment in the local construction and transportation industries. The recent influx of dollars into the Juneau economy helped bolster other sectors of the economy, too. As other mines in the Southeast develop, this same scenario will be repeated.

Until recently, workers in the Southeast mining industry didn't search for precious minerals. Instead, they worked for firms which provided sand, gravel and stone for construction jobs. The construction downturn hurt many of these firms, causing them to trim back

The recent influx of mining dollars into Juneau helped bolster other sectors of the economy.

operations to meet depressed construction levels. The future of these sand and gravel firms should closely parallel that of the area's construction industry.

No Growth Seen in Construction

The Southeast construction industry started its decline before the oil price shock affected the rest of the Alaska economy. While most other Southeast industries turned the economic corner either in late 1987 or 1988, the construction industry still hasn't grown yet. The next two years show no optimistic promise. While there are new building projects coming on line, others are nearing completion. Projected 1989 employment is flat; no rise is expected over 1988 levels. Some gains might occur in 1990 if the outlook for mining remains bright.

On an even darker side, state and local capital projects will probably number few during the next two years. Although there exist plans for some public construction projects, the demand for a smaller state budget, coupled with the negative economic impacts of employment cuts, make it unlikely that there will be any increased spending on capital projects. During the next two years, construction employment will likely remain only at a maintenance level — the minimum level necessary to maintain existing facilities with some marginal infrastructural growth. Given these factors, further construction industry employment declines are unlikely.

Support Sector Industries Will Pace Those of Basic Sector

As the Southeast economy has aged and matured, support sector industries (that is, the TCU, FIRE, trade and service industries) have gained a larger share of total employment. Some of the companies which comprise the support sector rely on particular industries for their economic strength. Others follow the health of the overall economy and are more insulated from specific industry fluctuations. Still, the support sector firms can only be as financially healthy as their clients. With one notable exception, FIRE, all support sector industries have gained by the Southeast's new economic health and have posted employment gains. As Southeast basic sector (that is, the manufacturing, mining and construction industries) growth moderates, so too will gains in the support sector.

Trade Sector Employment to Rise by 4%

Employment in wholesale and retail trade should rise by four percent — 175 jobs — in the next two years. This growth rate is higher than that of the total economy. The reason? Trade sector employment, like most other support sector industries, is a trailing indicator of the economy's health. Last year's large gains in the basic sector industries should translate into strong employment growth in the support sector during this two-year forecast period.

One possible stumbling block to growth in the trade industries would be a major reduction in state and local government employment. Studies conducted by the University of Alaska-Anchorage Institute for Social and Economic Research have attempted to determine what economic impact is caused by the loss of public sector jobs. Significant government job losses could negate the positive impacts of last year's growth in basic sector industries.

Service Sector Employment: Up by 4%, Too

The service industries will perform in the next two years much like the trade sector industries: employment gains are expected to amount to about four percent. Many of the same factors determining the future of trade sector employment are also at work in the service industries. Basic sector employment gains will help feed the service industries' employment growth. Meanwhile, possible public sector employment declines could reduce service sector gains.

Both the services and trade sectors benefit from tourism. There are potential problems for tourism in upcoming years. First, the severity of this winter received much attention in the lower 49 states. Some Alaskans worry that this wintry impression may reduce the number of future visitors here. Second, the recent Exxon Valdez oil spill, though affecting a very small portion of Alaska, will negatively impact the number of future visitors.

Further, the recent bankruptcy of Exploration Travel has reduced the number of ships docking in the Southeast. Many business owners say the loss of this firm will have much less of an impact than would the loss of some of its competitors. Business owners are hopeful that tourists travelling independently will compensate for this reduction. Still, many of the cruise ship line officials worry that the Exploration Travel bankruptcy will reflect badly on their lines and cause a reduction in the total number of travelers.

A 5% Job Rise Predicted For Transportation, Communications and Utilities Industries

TCU (Transportation, Communications, and Utilities) industries will strengthen over the next two years. With the projected addition of 125 jobs, the TCU sector should post an employment rise of more than five percent. Many different factors affect the industry. In the Southeast, transportation employment depends on the health of the timber, mining, and tourism industries, as well as the volume of migration in the area. The economic well-being of both the communications and utilities industries is closely linked to migration and population growth and to new commercial ventures.

Five percent growth in the TCU sector over the next two years will occur for several different reasons: The timber and seafood processing industries, which have helped TCU industries over the past two years, will not see reductions in activity. Increased mining activity will lead to some job increases. Population increases, expected because of the Southeast's strengthened economy, will lead to more utility industry jobs. And while employment declines in the transportation sector could develop if tourism falls significantly below 1988 levels, this is not likely to occur at least during the next two years.

1989 & 1990 Will Be Flat Years For Finance, Insurance, and Real Estate Industries

Although faring better than the rest of the state, Southeast FIRE (Finance, Insurance, and Real Estate) sector employment should amount to about 1,000 for 1989 and 1990 (slightly below 1988 levels). FIRE industries have sustained losses as a result of numerous loan foreclosures and declines in real estate markets. Most of this damage seems to have already occurred in the Southeast. Surviving companies should remain viable.

Government Employment: Down by Less than 1% in Next Two Years

Overall, Southeast government employment is projected to fall in 1989 by more than one percent. It is expected to show little increase in 1990. Federal, state, and local government hiring levels in the next two years will be dissimilar.

Federal government employment is projected to show growth during both years of this forecast. Most of this growth will occur in 1990 when enumerators are hired to conduct the decennial census. These new positions will be temporary, but there will be many of them.

State government employment is projected to fall by 150 during the next two years as the state budget is reduced. Much of the reduction will impact the Juneau area. Loss of even a few state jobs in the Southeast's smaller, more rural areas could have a noticeable impact on those local economies.

Reducing the state budget is a high priority for many Alaskans. Large work force reductions are unlikely, however, due to the significant economic upset that would occur. Most state employees are currently working without a contract; the outcome of labor negotiations could impact the number of state government jobs funded during the next two years.

Local government employment is projected to decline during 1989, but then again show growth one year later. Local governments, particularly this year, may receive less municipal assistance funding than expected. This might cause more local governments to finance various projects independent of state help. If local governments make up this funding difference, there may be employment shifts from state government to local governments.

Conclusion: Total 1.2% Job Gain Predicted for the Southeast

These projections depend on the assumptions stated at the start of this article. Some of the assumptions are more critical than others, but changes in any one could affect all of Southeast's employment growth over the next two years. Particularly important during this next two-year period will be oil revenues. If large employment cuts in state or local government are implemented to balance the state budget, Southeast employment growth will be severely hampered.

International currency fluctuations are important to Southeast's natural resource industries. There is little likelihood of exchange rate movements large enough to depress the demand for these products. Likewise, international metal prices should remain strong enough to spur continued exploration.

Compared to last year when employment levels rose dramatically, the next two years may appear slow. Employment gains are projected to average 1.2 percent per year during the next two years. In any place other than Alaska, this would be seen as extremely strong growth. But for Southeast Alaska, this rate of growth is moderate. This projected growth is a reliable sign that the most recent recession and its aftershocks are now history.

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February's Economy Was in Hiberation

by Brian N. Rae

Alaska's economy in February followed a normal seasonal pattern. Like most of the states bears, it was hibernating.

This was not unexpected. While there was more activity this past February than in February 1988, the grip of winter hadn't loosened enough to allow for the usual rise in seasonal economic movement. Instead, most of this seasonal activity (which will start at levels higher than in recent years) was expected to occur over the months of March, April and May. If anything, the February economy was just stirring from winter.

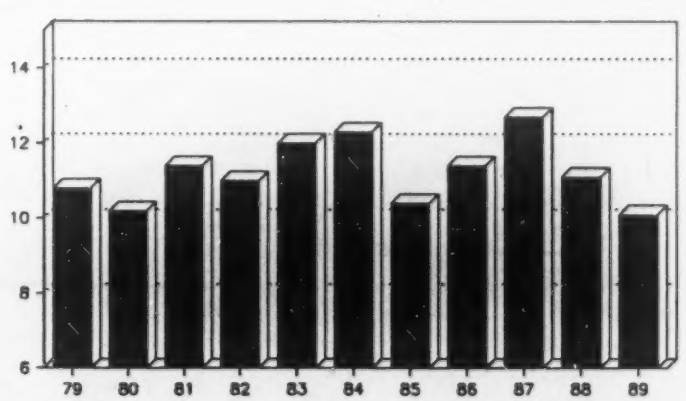
Various indicators show improving economic health for Alaska. February unemployment was at its lowest level in over 11 years. (See Figure 1.) That month's employment level was at its highest in three years. All this was happening during a month when many firms were trying to restart after one of the most severe winters on record.

February Unemployment Rate Was Lowest in a Decade

At 10.1%, February's unemployment rate was the lowest since the current time series of data was formulated in 1978. (See Table 4.) In that year, the unemployment rate was 10.2%. Part of February's unemployment rate drop can be attributed to a continued decline in the labor force. The February 1989 labor force was the lowest since February 1984, and was 5,000 less than it had been one year ago.

Figure 1

Alaska's February Unemployment Rates 1979 — 1989



Source: Alaska Department of Labor, Research & Analysis

Two regions, the Northern and Southeast, showed slight unemployment rate increases over the 12-month period beginning February 1988. These two regions shared another unique characteristic: they were the only regions to register significant labor force increases during that same period. All other Alaska regions showed declining unemployment rates between February '88 and February '89.

Even as the Gulf Coast region retained nearly the same labor force numbers, its February '88 unemployment rate was the lowest since 1985. (Regional unemployment rate comparisons to pre-1985 years are not yet available because the technique used to estimate statewide unemployment was recently changed.) The three remaining regions,

Anchorage-MatSu, Southwest and Interior, posted their lowest February unemployment rates to date, but at the expense of a declining labor force.

Mining Set the Pace Between February '88 and February '89

Employment has shown a strong increase over the year, February-to-February, but the strength was not shared evenly among all industries. (See Table 1.) Mining was the victor for over-the-year growth, showing strength in both hard rock, and oil and gas mining. February employment levels in this sector was almost 13% above comparable 1988 levels. Start up of new hard rock operations accounted for part of this rise, but most of the jump in job levels came from greatly increased exploration activity for both oil and minerals. In the Northern Region, the over-the-year employment rise came entirely from increased mining activity. Gains are expected to continue as the Red Dog mine expands operations over the next several months.

Manufacturing Sector Set New February Record

Manufacturing employment was at its highest level ever in February. The sector's record hike can be attributed mainly to the seafood processing industry whose employment numbers rose by 700 for the month, and 400 for the year. For both the month and the year (February to February), the Southwest and Gulf Coast regions experienced the lion's share of the seafood processing employment gains. These regions' gains were largely due to increased bottom fish processing and new surimi processing activity.

One negative side effect occurred as a result of these rises in enterprise. The Shelikof Strait area pollock fishery was closed several months early. The increased activity, coupled with a reduced quota, led to the early closure. A greater number of floating processors had fished Kodiak pollock than in prior years. Of the 60,000 metric tons harvested, over 37,000 tons were delivered to offshore processors. In addition, they harvested the reduced quota in record time. In 1987, for example, 85% of the pollock was caught in the second half of the year. In 1989, the season lasted less than one quarter.

Table 1

Nonagricultural Wage & Salary Employment By Place of Work Alaska

	p/ 2/89	r/ 1/89	2/88	Changes From: 1/89	2/88
Nonag. Wage & Salary	203,700	199,800	198,900	3,900	4,800
Mining	9,700	9,400	8,600	300	1,100
Construction	6,200	6,200	6,800	0	-600
Manufacturing	10,800	9,900	10,400	900	400
Seafood Processing	5,200	4,500	4,800	700	400
Lumber & Paper Products	2,400	2,200	2,500	200	-100
All Other Manufacturing	3,200	3,200	3,100	0	100
Trans., Comm. & Utilities	16,400	16,200	16,300	200	100
Trucking & Warehousing	2,100	2,100	2,200	0	-100
Water Transportation	900	900	800	0	100
Air Transportation	5,200	5,200	5,100	0	100
Communications	3,200	3,100	3,300	100	-100
All Other Transportation	5,000	4,900	4,900	100	100
Trade	39,700	40,100	38,500	-400	1,200
Wholesale	7,200	7,200	7,000	0	200
Retail	32,500	32,900	31,500	-400	1,000
General Merch. & Apparel	4,700	4,800	4,500	-100	200
Food Stores	5,800	5,900	5,700	-100	100
Eating & Drinking Places	11,900	11,900	11,500	0	400
All Other Retail	10,100	10,300	9,800	-200	300
Finance, Insurance & Real Estate	10,600	10,500	10,800	100	-200
Services	41,900	41,300	40,800	600	1,100
Hotels & Other Lodging	3,900	3,900	3,700	0	200
Government	68,400	66,200	66,700	2,200	1,700
Federal	17,400	17,400	17,700	0	-300
State	20,600	18,900	19,200	1,700	1,400
Local	30,400	29,900	29,800	500	600

Notes: Prepared in cooperation with the U.S. Bureau of Labor Statistics.

Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date: March 1988

p/ denotes Preliminary Estimates
r/ denotes Revised Estimates

Source: Alaska Department of Labor, Research & Analysis

Table 2

Nonagricultural Wage & Salary Employment By Place of Work

Anchorage Borough

	p/ 2/89	r/ 1/89	2/88	Changes From: 1/89	Changes From: 2/88
Nonag. Wage & Salary	98,350	97,400	97,300	950	1,050
Mining	3,550	3,450	3,200	100	350
Construction	3,100	3,050	3,550	50	-450
Manufacturing	2,100	2,050	2,150	50	-50
Trans., Comm. & Utilities	8,900	8,750	8,950	150	-50
Trucking & Warehousing	1,500	1,500	1,450	0	50
Water Transportation	250	250	250	0	0
Air Transportation	3,200	3,150	3,150	50	50
Communications	1,750	1,700	1,800	50	-50
All Other Transportation	2,200	2,150	2,300	50	-100
Trade	23,600	23,900	22,700	-300	900
Wholesale	5,350	5,550	5,300	-200	50
Retail	18,250	18,350	17,400	-100	850
Gen. Merch. & Apparel	2,300	2,450	2,300	-150	0
Food Stores	2,850	2,900	2,750	-50	100
Eating & Drinking Places	7,550	7,400	7,100	150	450
All Other Retail	5,550	5,600	5,250	-50	300
Finance, Ins. & Real Estate	7,050	7,000	7,300	50	-250
Services	24,100	23,900	23,550	200	550
Government	25,950	25,300	25,900	650	50
Federal	10,050	10,100	10,350	-50	-300
State	7,400	6,700	6,900	700	500
Local	8,500	8,500	8,650	0	-150

Fairbanks North Star Borough

	p/ 2/89	r/ 1/89	2/88	Changes From: 1/89	Changes From: 2/88
Nonag. Wage & Salary	24,450	23,900	23,750	550	700
Mining	100	100	100	0	0
Construction	1,100	1,100	1,100	0	0
Manufacturing	550	500	500	50	50
Trans., Comm. & Utilities	1,700	1,800	1,650	-100	50
Trucking & Warehousing	350	400	350	-50	0
Air Transportation	300	300	300	0	0
All Other Transportation	1,050	1,100	1,000	-50	50
Trade	5,050	5,100	5,000	-50	50
Wholesale	650	650	650	0	0
Retail	4,400	4,450	4,350	-50	50
Food Stores	750	700	750	50	0
All Other Retail	3,650	3,750	3,600	-100	50
Finance, Ins. & Real Estate	750	750	750	0	0
Services	5,550	5,500	5,450	50	100
Government	9,650	9,050	9,200	600	450
Federal	2,700	2,700	2,700	0	0
State	4,200	3,650	3,950	550	250
Local	2,750	2,700	2,550	50	200

Anchorage-MatSu Region

	p/ 2/89	r/ 1/89	2/88	Changes From: 1/89	Changes From: 2/88
Nonag. Wage & Salary	104,200	103,300	103,300	900	900
Mining	3,550	3,450	3,200	100	350
Construction	3,350	3,250	3,700	100	-350
Manufacturing	2,200	2,150	2,200	50	0
Trans., Comm. & Utilities	9,600	9,400	9,550	200	50
Trade	24,750	25,150	24,100	-400	650
Finance, Ins. & Real Estate	7,400	7,400	7,700	0	-300
Services	24,950	24,700	24,600	250	350
Government	28,400	27,800	28,250	600	150

Interior Region

	p/ 2/89	r/ 1/89	2/88	Changes From: 1/89	Changes From: 2/88
Nonag. Wage & Salary	27,900	27,250	27,100	650	800
Mining	300	250	300	50	0
Construction	1,150	1,150	1,100	0	50
Manufacturing	550	550	500	0	50
Trans., Comm. & Utilities	2,000	2,050	1,850	-50	150
Trade	5,350	5,450	5,250	-100	100
Finance, Ins. & Real Estate	800	800	800	0	0
Services	5,950	5,900	5,850	50	100
Government	11,800	11,100	11,450	700	350

Note: Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date: March 1988 p/ denotes Preliminary Estimates r/ denotes Revised Estimates

Source: Alaska Department of Labor, Research & Analysis

(Cont. on page 25)

There's Not Enough Pollock To Go Around

Carl Rosier, chief of the Industry Services and Trade section of the National Marine Fisheries Service, says there is little question that the early closure will negatively affect the shore based labor market. Although processors might hire the same number of employees over the season, the number of hours worked is likely to decrease. Mr. Rosier contends that there simply is not enough pollock to go around.

A rising concern pertaining to the off shore processors is the lowered percentage of the product actually being processed. With shortened seasons and more intensive fishing effort, processors are often forced to use only the most valuable portions of the resource. This causes reductions in the value-added processing potential and in the number of jobs created per product unit.

Table 2

(Cont. from page 24)

Nonagricultural Wage & Salary Employment By Place of Work

Southeast Region

	p/ 2/89	r/ 1/89	2/88	Changes From: 1/89	2/88
Nonag. Wage & Salary	27,900	27,600	27,000	300	900
Mining	250	200	150	50	100
Construction	700	700	750	0	-50
Manufacturing	3,000	2,950	3,350	50	-350
Seafood Processing	600	700	650	-100	-50
Lumber & Paper Products	2,150	2,000	2,450	150	-300
All Other Manufacturing	250	250	250	0	0
Trans., Comm. & Utilities	2,000	2,000	1,900	0	100
Trade	4,550	4,600	4,200	-50	350
Wholesale	450	450	400	0	50
Retail	4,100	4,150	3,800	-50	300
Finance, Ins. & Real Estate	1,050	1,000	1,050	50	0
Services	4,550	4,550	4,400	0	150
Government	11,800	11,600	11,200	200	600
Federal	1,850	1,900	1,850	-50	0
State	5,450	5,300	5,050	150	400
Local	4,500	4,400	4,300	100	200

Southwest Region

	p/ 2/89	r/ 1/89	2/88	Changes From: 1/89	2/88
Nonag. Wage & Salary	12,550	11,750	12,050	800	500
Seafood Processing	2,450	1,900	2,150	550	300
All Other Private	3,850	3,850	3,900	0	-50
Government	6,250	6,000	6,000	250	250
Federal	1,300	1,300	1,300	0	0
State	550	450	450	100	100
Local	4,400	4,250	4,250	150	150

Gulf Coast Region

	p/ 2/89	r/ 1/89	2/88	Changes From: 1/89	2/88
Nonag. Wage & Salary	17,750	17,500	16,850	250	900
Mining	800	800	800	0	0
Construction	600	600	600	0	0
Manufacturing	2,400	2,200	2,150	200	250
Seafood Processing	1,750	1,550	1,550	200	200
All Other Manufacturing	650	650	600	0	50
Trans., Comm. & Utilities	1,350	1,400	1,300	-50	50
Trade	3,350	3,350	3,150	0	200
Wholesale	500	500	450	0	50
Retail	2,850	2,850	2,700	0	150
Finance, Ins. & Real Estate	500	500	500	0	0
Services	3,150	3,150	3,000	0	150
Government	5,600	5,500	5,350	100	250
Federal	500	550	500	-50	0
State	1,700	1,600	1,500	100	200
Local	3,400	3,350	3,350	50	50

Northern Region

	p/ 2/89	r/ 1/89	2/88	Changes From: 1/89	2/88
Nonag. Wage & Salary	13,050	12,600	12,450	450	600
Mining	4,800	4,550	4,200	250	600
All Other Private	3,800	3,750	3,800	50	0
Government	4,450	4,300	4,450	150	0
Federal	350	350	350	0	0
State	350	300	350	50	0
Local	3,750	3,650	3,750	100	0

Note: Government includes teachers in primary and secondary schools, and personnel employed by the University of Alaska.

Benchmark Date: March 1988 p/ denotes Preliminary Estimates r/ denotes Revised Estimates

Source: Alaska Department of Labor, Research & Analysis

Timber Industry Expands Into Kenai Peninsula and Kodiak Borough

The timber industry, hampered by heavy snowfall in the Southeast region, was unable to continue logging operations in many areas during the month of February. Many mills, though, had sufficient reserves of logs to operate for several weeks. (Continued inclement weather in March might have caused mill slow downs or shut downs. An indefinite shutdown of the Wrangell sawmill was announced during the beginning of March for this reason.) The industry is starting to expand outside of the Southeast. Some larger scale operations have begun logging on the Kenai Peninsula and in the Kodiak Borough.

Table 3

Alaska Hours and Earnings for Selected Industries [1/2]

	Average Weekly Earnings			Average Weekly Hours			Average Hourly Earnings		
	p/ 2/89	r/ 1/89	2/88	p/ 2/89	r/ 1/89	2/88	p/ 2/89	r/ 1/89	2/88
Mining	$1,117.92	$1,142.77	$1,137.63	51.0	49.3	48.7	$21.92	$23.18	$23.36
Construction	921.07	905.60	902.40	40.9	40.0	37.9	22.52	22.64	23.81
Manufacturing	573.30	505.09	477.95	50.6	40.7	38.7	11.33	12.41	12.35
Seafood Processing	478.17	329.18	301.48	59.4	39.9	38.8	8.05	8.25	7.77
Lumber & Paper Products	622.20	650.95	572.88	40.8	43.6	37.2	15.25	14.93	15.40
Trans., Comm. & Utilities	565.85	570.67	576.20	34.8	35.6	35.9	16.26	16.03	16.05
Trade	372.24	383.41	366.49	33.0	33.9	33.5	11.28	11.31	10.94
Wholesale	519.94	538.23	544.71	38.6	38.5	40.2	13.47	13.98	13.55
Retail	323.23	331.40	303.85	31.2	32.3	31.1	10.36	10.26	9.77
Finance, Ins. & Real Estate	390.92	389.26	404.00	33.7	35.1	35.1	11.60	11.09	11.51

Benchmark: March 1988

1/ Prepared in cooperation with the Bureau of Labor Statistics, U.S. Department of Labor.

2/ Excludes eating and drinking establishments.

Note on Average Hours and Earnings Series — Averages are based on data for full- and part-time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing), and are for gross earnings and hours paid, including overtime pay and hours.

p/ denotes Preliminary Estimates r/ denotes Revised Estimates

Source: Alaska Department of Labor, Research & Analysis

Construction Still Lags Behind

Construction still lags behind, falling almost 10% from February 1988 employment levels. The majority of this loss occurred, as it had in the past many months, in the Anchorage/Mat-Su region. A recent recovery of real estate prices in the area indicates a strengthening of the market. But it will still be some time before construction employment rises. Some work did occur in the construction of small oil field modules for the North Slope and at Bradley Lake. Overall, though, there were few February projects. As the season progresses, some larger projects — including those at Bradley Lake and pipe replacement on the Alaska Pipeline — will provide more work in this industry.

Great Gains for the Service Sector

The service sector posted significant gains for both the year (between February '88 and February '89) and the month. This industry alone accounted for nearly one quarter of the statewide employment rise over the year — 1,100 of the total 4,800 employment gain. For the month, the service sector added the greatest number of private sector jobs to the Anchorage/MatSu region — 250 of the total 900 job jump. This is a particularly welcome sign for this region. Increased employment in the support sector, of which service industries are a part, generally indicates a strengthening of the overall economy.

A Mixed Picture for the February Trade Sector

The trade sector played an equally important role in the annual February-to-February employment gains, but the February 1989 numbers posted a decline from the January level. This trend existed in every region. Trade sector employment was up for the year (in some areas it was up forcefully), but it was either down or flat during the month. This development was not unexpected because employment levels usually drop down from the high levels seen at the year-end holidays. There should be added employment gains in the next couple of months with the onset of other seasonal economic activity.

UA Posts Strong Growth for February's Public Sector

The public sector posted very strong February growth. The largest share of the employment growth came from state government; more specifically, it came from the University of Alaska. UA staff boosted the state government payroll by returning to work after the winter break. (Although many UA employees had returned to work during the end of January, the employment estimating methodology doesn't account for persons who begin work during the latter weeks of a month.) The university system alone accounted for more than 1,600 of the total 1,700 over-the-month rise. Over the year — from February to February — other state government employment rose in nearly every region.

All Alaska Regions Posted Growth

Once again, all regions of the state posted employment gains over their February 1988 levels. (See Table 2.) These gains were less than evenly distributed. Statewide employment rose by 2.4% over the year. This total gain was held down by the still weak performances of the Anchorage/MatSu and Interior regions. If the Anchorage/MatSu region were removed from the statewide employment figures, total growth would have amounted to 4.1%.

Anchorage/MatSu:
Less than 1% Growth in February

Anchorage/MatSu employment rose by less than 1% during February. Although amounting to much less than most other regions, this meager, regional over-the-year growth is important. Two sectors have played significant roles in the Anchorage/MatSu turnaround, trade and services. These sectors' strength should continue; their employment gains will be augmented by mining industry growth. The February numbers showed increased employment in the Anchorage/MatSu mining industry. Additional mining jobs are expected during the rest of 1989.

The Interior: 3%
Over-the-Year Growth

The Interior Region shares many of the same problems as Anchorage/MatSu. Although this region was less negatively affected during the recession than was the Anchorage/MatSu area, it still faced large employment declines and has experienced a slow comeback. The Interior Region did, though, pull out of the employment declines first, and it is now farther along to a more 'normal' employment growth rate. The region's February 1989 employment levels showed a 3% overall rise compared to its February '88 levels. Although the trade and service sectors posted some employment gains, the Transportation, Communication and Utilities (TCU) sector, together with the government sector, showed the largest gains over the year, both in percentage terms and in the absolute number of jobs.

Gulf Coast: 5.3%
Employment Rise in February

The Gulf Coast Region was the strongest performer for over-the-year growth in February. Its 5.3% employment rise was spread over several industries. The rise wasn't limited to large gains in only one or two industries. While seafood processing employment increased by 200 for the year, four other major sectors also posted increases. The trade and service industries showed the greatest strength, followed by increases in state and local government. TCU industries, although down over the month, showed a small over-the-year gain to give the region 900 more jobs in February 1989 than it had in February of last year.

Mining Boosts Northern Region

Mining, which accounts for more than one-third of the jobs in the Northern Region, also recorded virtually all of the region's employment growth over the year. This bodes well for the region, stung by spending drops during the worst days of the oil price plunge. Job growth in government, the second major employer in the region, has been flat over the year. With concerns mounting about the lack of future government growth, new mining activity is welcome.

Southeast: 3.3%
Over-the-Year Increase

Even with problematic weather, the Southeast region managed to show a 3.3% increase for the year. Although February's employment level set new records, job growth was held back by the large amounts of snow still covering much of the region. Logging operations had begun in the southern Southeast Region, but much of the northern areas were inaccessible to loggers. Some mills had delayed their usual February start ups. Interestingly, some state Job Service offices had been inundated in February with unemployed loggers; yet only a few weeks earlier there hadn't been an unemployed logger in the region.

Summary: State's
February Employment Rose 2%

Although several natural factors were at work to hold down February's employment, the state still experienced a 2% rise for the month and a 2.4% increase in jobs compared to February 1988. Some gains came from seasonal industries, but also contributing to the employment hike was the underlying strength of many support industries. Showing increased employment over the year — from February 1988 to February 1989 — were the two regions hit hardest by the recession, Anchorage/MatSu and the Interior regions.

Table 4

Labor Force By Region and Census Area

	Labor Force			Unemployment			Rate			Employment		
	p/ 2/89	r/ 1/89	2/88	p/ 2/89	r/ 1/89	2/88	p/ 2/89	r/ 1/89	2/88	p/ 2/89	r/ 1/89	2/88
Alaska Statewide	234,570	235,528	240,026	23,623	24,411	26,673	10.1%	10.4%	11.1%	210,947	211,117	213,353
Anch.-MatSu Region	122,494	124,265	127,644	9,957	10,728	12,090	8.1	8.6	9.5	112,537	113,537	115,554
Anchorage Borough	109,397	110,617	113,217	7,572	8,258	9,399	6.9	7.5	8.3	101,825	102,359	103,818
MatSu Borough	13,097	13,648	14,427	2,385	2,470	2,691	18.2	18.1	18.7	10,712	11,178	11,736
Gulf Coast Region	24,562	24,847	24,513	3,533	3,859	3,933	14.4	15.5	16.0	21,029	20,988	20,580
Kenai Peninsula Borough	15,587	15,772	15,547	2,660	2,870	2,896	17.1	18.2	18.6	12,927	12,902	12,651
Kodiak Island Borough	5,110	5,274	5,161	262	435	416	5.1	8.2	8.1	4,848	4,839	4,745
Valdez-Cordova	3,865	3,801	3,805	611	554	621	15.8	14.6	16.3	3,254	3,247	3,184
Interior Region	34,495	34,407	35,223	4,586	4,710	5,209	13.3	13.7	14.8	29,909	29,697	30,014
Fairbanks North Star Bor.	29,509	29,644	30,170	3,607	3,925	4,177	12.2	13.2	13.8	25,902	25,719	25,993
Southeast Fairbanks	2,075	2,017	2,095	390	344	404	18.8	17.1	19.3	1,685	1,673	1,691
Yukon-Koyukuk	2,911	2,746	2,958	589	441	628	20.2	16.1	21.2	2,322	2,305	2,330
Northern Region	8,141	7,929	8,035	817	726	735	10.0	9.2	9.1	7,324	7,203	7,300
Nome	3,088	3,016	3,031	358	330	310	11.6	10.9	10.2	2,730	2,686	2,721
North Slope Borough	2,930	2,839	2,861	197	152	137	6.7	5.4	4.8	2,733	2,687	2,724
Northwest Arctic Borough	2,123	2,074	2,143	262	244	288	12.3	11.8	13.4	1,861	1,830	1,855
Southeast Region	33,044	32,942	32,674	3,905	3,756	3,722	11.8	11.4	11.4	29,139	29,186	28,952
Haines Borough	831	830	861	117	115	152	14.1	13.9	17.7	714	715	709
Juneau Borough	14,285	14,331	14,163	969	994	934	6.8	6.9	6.6	13,316	13,337	13,229
Ketchikan Gateway Borough	6,132	6,259	6,034	797	915	733	13.0	14.6	12.1	5,335	5,344	5,301
Pr. of Wales-Outer Ketchikan	2,759	2,755	2,650	603	595	507	21.9	21.6	19.1	2,156	2,160	2,143
Sitka Borough	3,842	3,788	3,866	359	299	405	9.3	7.9	10.5	3,483	3,489	3,461
Skagway-Yakutat-Angoon	1,770	1,715	1,722	478	421	438	27.0	24.5	25.4	1,292	1,294	1,284
Wrangell-Petersburg	3,425	3,264	3,378	582	417	553	17.0	12.8	16.4	2,843	2,847	2,825
Southwest Region	11,834	11,138	11,937	825	632	984	7.0	5.7	8.2	11,009	10,506	10,953
Aleutian Islands	3,208	3,073	3,242	52	61	102	1.6	2.0	3.1	3,156	3,012	3,140
Bethel	4,507	4,188	4,503	364	234	381	8.1	5.6	8.5	4,143	3,954	4,122
Bristol Bay Borough	459	442	464	51	52	58	11.1	11.8	12.5	408	390	406
Dillingham	2,152	2,030	2,152	184	152	194	8.6	7.5	9.0	1,968	1,878	1,958
Wade Hampton	1,508	1,405	1,576	174	133	249	11.5	9.5	15.8	1,334	1,272	1,327

p/ denotes Preliminary Estimates r/ denotes Revised Estimates Benchmark: 1988

Notes:

- Federal guidelines require the use of unrounded labor force data, adjusted to be consistent with the Current Population Survey in formulas used to allocate federal funds.
- Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor.
- The official definitions of unemployment currently in place exclude anyone who has made no attempt to find work in the four-week period up to and including the week that includes the 12th of each month. Most Alaska economists believe that Alaska's rural localities have proportionately more of these discouraged workers.

Source: Alaska Department of Labor, Research & Analysis

Newly Released DOL Publications

Available as of the last few weeks through the Alaska Department of Labor (DOL) Research & Analysis Section (R&A) are three issues of the *Statistical Quarterly*:

- *Statistical Quarterly 1st Quarter 1988,*
- *Statistical Quarterly 2nd Quarter 1988*, and
- *Statistical Quarterly 3rd Quarter 1988.*

Like the title reads, *Statistical Quarterly* is a quarterly publication of statistical tables which report in detail — by industry and census area — Alaska nonagricultural wage and salary employment and earnings.

Each of the three publications are available free from DOL R&A.

Alaska Economic Regions

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ALASKA ECONOMIC TRENDS

June 1989

Analysis: Migration & Employment During Two Recent Recessions

A First for 1989: Double Digit Threshold Broken

Typical Characteristics of UI Claimants —1985 to 1988

ALASKA ECONOMIC

TRENDS

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Typical Characteristics of UI Claimants – 1985 to 1988

By Thom Wylie

In Calendar Year 1988, just over 51,000 Alaskans received one or more weeks of Unemployment Insurance (UI) compensation.

Table 1 contains the most recent data available on the specific characteristics of these claimants — their sex, age, number of dependents, ethnic background, industry, occupation, income, and geographic area.

The Largest Proportion of Alaska's 1988 Claimants Lived in Anchorage

Table 1 also reports on the location of all claimants — by census area or census subarea, and by the local Alaska Job Service offices at which they filed claims. (Alaska has 12 local offices serving UI claimants. The Job Service's central office in Juneau processes most claims submitted by rural and out-of-state claimants.)

The largest proportion of 1988 claimants — over 24% — lived in Anchorage and filed through the Anchorage Job Service Office.

Twenty-three percent of all claimants were those filing from outside the state.

Rural residents filed over 14% of all 1988 claims.

Construction Industry's Decline Caused Dynamic Changes in UI Claimant Characteristics Between 1985 and 1988

Among those industries that experienced decline during the most recent recession it was the construction industry that was responsible for the most dynamic changes in UI claimant characteristics. (See Figure 1.)

Between 1985 and 1988, the most obvious changes in the characteristics of UI claimants showed up in six categories: number of claimants, industry, sex, earnings, race, and age.

Between 1985 and 1988 the total number of individuals claiming UI compensation declined by over 20% (nearly 13,000).

In these three years, the number of UI claimants who had been employed in the construction industry declined from 17,200-plus (in 1985) to nearly 9,200 (in 1988). Translated, this 8,000-plus decline represented a 62% drop in the share of all UI claimants since 1985.

Most 1988 claimants were:

- Male (over 63%),
- Between the ages of 25 and 44 (69%),
- Without dependents (over 62%), and
- White (over 77%).

Those claiming UI benefits last year had been employed most recently in:

- Service industries (21%),
- Construction industries (18%),
- Trade industries (over 17%).

By occupation, the greatest number of the 1988 jobless claiming UI compensation had been most recently employed as:

- Structural workers (27%), and
- Clerical and Sales workers (over 21%).

Among structural workers:

- Over 7,800 claimants were in construction occupations, and
- Over 2,100 claimants were in occupations related to excavating, grading and paving.

Among clerical and sales workers:

- Most claimants (over 3,500) were in computing and account recording

Most 1988 claimants' income from work covered by UI placed them at the low end of the income scale:

- Over 62% earned less than $20,000, and Over 30% of all claimants earned less than $10,000.

At the high end of the income scale:

- Less than 4% of all UI claimants (over 2,000) earned $50,000 or more.

Table 1

1988 UI Claimant Characteristics

Characteristics of claimants from all industries	All Claimants Calendar Year 1985 No.	% of Total	All Claimants Calendar Year 1988 No.	% of Total
TOTAL	63,991	100.0	51,002	100.0
SEX:				
Male	43,732	68.3	32,278	63.3
Female	20,259	31.7	18,724	36.7
AGE:				
Less than 21	2,218	3.5	1,348	2.6
21-24	7,641	11.9	4,311	8.5
25-34	25,864	40.4	20,229	39.7
35-44	15,173	23.7	14,965	29.3
45-54	7,398	11.6	6,905	13.5
55-64	3,658	5.7	2,723	5.3
65+	2,039	3.2	521	1.0
NUMBER OF DEPENDENTS:				
0	41,269	64.5	31,816	62.4
1	9,517	14.9	7,740	15.2
2	8,261	12.9	7,092	13.9
3+	4,944	7.7	4,354	8.5
ETHNIC BACKGROUND:				
Alaska Native/American Indian	8,012	12.5	7,037	13.8
Asian and Pacific Islander	1,630	2.5	1,665	3.3
Black	1,995	3.1	1,795	3.5
Hispanic	1,072	1.7	828	1.6
White	50,636	79.1	39,312	77.1
No Information	646	1.0	365	0.7
INDUSTRY:				
Ag., Forestry and Fishing	318	0.5	318	0.6
Mining	2,094	3.3	2,655	5.2
Oil and Gas	1,667	2.6	2,266	4.4
Other Mining	427	0.7	389	0.8
Contract Construction	17,247	27.0	9,199	18.0
Manufacturing	6,192	9.7	5,789	11.4
Food Products	3,539	5.5	3,489	6.8
Lumber and Wood Products	1,292	2.0	1,306	2.6
Paper Products	544	0.9	302	0.6
Other Manufacturing	817	1.3	692	1.4
Trans., Comm. and Utilities	5,568	8.7	3,878	7.6
Trade	10,219	16.0	8,811	17.3
Finance, Ins. and R.E.	2,283	3.6	2,457	4.8
Services	11,793	18.4	10,719	21.0
Public Administration	7,680	12.0	6,708	13.2
Unclassified	597	0.9	468	0.9
OCCUPATION:				
Ag., Forestry and Fishing	1,324	2.1	1,342	2.6
Benchwork	401	0.6	278	0.5
Clerical and Sales	12,072	18.9	10,988	21.5
Machine Trades	3,139	4.9	2,124	4.2
Processing	2,425	3.8	2,209	4.3
Prof., Tech. and Managerial	9,210	14.4	8,364	16.4
Service	7,217	11.3	6,239	12.2
Structural Work	20,871	32.6	13,787	27.0
Miscellaneous and Unknown	7,332	11.5	5,671	11.1

Characteristics of claimants from all industries	All Claimants Calendar Year 1985 No.	% of Total	All Claimants Calendar Year 1988 No.	% of Total
AVERAGE ANNUAL EARNINGS:				
$ 0- 999	9	0.0	2	0.0
1,000- 9,999	18,367	28.7	15,564	30.5
10,000-19,999	20,108	31.4	16,164	31.7
20,000-20,999	11,520	18.0	9,844	19.3
30,000-39,999	6,396	10.0	4,987	9.8
40,000-49,999	3,687	5.8	2,439	4.8
50,000-59,999	1,847	2.9	1,196	2.3
60,000-69,999	1,038	1.6	466	0.9
70,000-79,999	563	0.9	215	0.4
80,000-89,999	304	0.5	95	0.2
90,000+	152	0.2	30	0.1
GEOGRAPHIC LOCATION:				
Total	63,991	100.0	51,002	100.0
Aleutian Islands Census Area	118	0.2	153	0.3
Anchorage Borough	17,304	27.0	13,429	26.3
Bethel Census Area	859	1.3	614	1.2
Bristol Bay Borough	68	0.1	70	0.1
Dillingham Census Area	282	0.4	243	0.5
Fairbanks North Star Borough	7,603	11.9	5,995	11.8
Haines Borough	248	0.4	179	0.4
Juneau Borough	2,449	3.8	1,652	3.2
Kenai Peninsula Borough	4,374	6.8	4,188	8.2
Ketchikan Gateway Borough	1,551	2.4	1,193	2.3
Kobuk Census Area	469	0.7	464	0.9
Kodiak Island Borough	1,140	1.8	843	1.7
Matanuska-Susitna Borough	4,940	7.7	3,741	7.3
Nome Census Area	649	1.0	613	1.2
North Slope Borough	435	0.7	231	0.5
Prince of Wales-Outer Ketch.	797	1.2	740	1.5
Sitka Borough	967	1.5	579	1.1
Skagway-Yakutat-Angoon Census Area	575	0.9	563	1.1
Southeast Fairbanks	565	0.9	506	1.0
Valdez-Cordova Census Area	831	1.3	772	1.5
Wade Hampton Census Area	377	0.6	321	0.6
Wrangell-Petersburg	881	1.4	704	1.4
Yukon-Koyukuk Census Area	1,037	1.6	845	1.7
Total In-State	48,519	75.8	38,638	75.8
Total Out-of-State	15,472	24.2	12,364	24.2
LOCAL OFFICE:				
Total	63,991	100.0	51,002	100.0
Anchorage	17,386	27.2	12,415	24.3
Central - Interstate Claims	14,577	22.8	11,702	22.9
Central - Mail Claims	10,145	15.9	7,395	14.5
Eagle River	1/	1/	1,444	2.8
Fairbanks	7,647	12.0	6,019	11.8
Homer	1/	1/	792	1.6
Juneau	2,448	3.8	1,658	3.3
Kenai	3,042	4.8	2,750	5.4
Ketchikan	1,435	2.2	1,120	2.2
Kodiak	1,032	1.6	782	1.5
Matanuska-Susitna	4,704	7.4	3,582	7.0
Seward	607	0.9	527	1.0
Sitka	968	1.5	583	1.1
Valdez	1/	1/	233	0.5

Note: 1/ – These local offices were not in operation in 1985.

Source: Alaska Department of Labor, Research & Analysis, 1985 and 1988. RESP 8003, Claimant Characteristics Tape, Calendar Year 1985 and 1988.

For the sake of comparison, the service sector sustained a decline of only 1,000-plus claimants over the past three years, which amounted to about 8% of the total decline.

As Figure 2 illustrates, the number of male and female claimants has moved 10 full percentage points towards one another between 1985 and 1988.

While this change partly indicates growing numbers of women in the work force (and also their subsequent claims to UI benefits), the rising proportion of females is more a result of the large loss of male jobs (and claimants) due to the construction industry's decline. (See Figure 3.)

The number of male UI claimants from the construction industry fell from over 16,200 in 1985 to 8,500-plus in 1988. This drop of 7,600-plus claimants accounted for more than two-thirds of the total decline in male claimants during this three-year period. (See Table 2 for further detail on the characteristics of UI claimants from the construction industry.)

In 1988 there were proportionately fewer claimants (compared to those in 1985) whose 'base period earnings' were over $50,000. (Defined, 'base period earnings' are earnings gained during the first four quarters of those five quarters which occurred prior to an individual's initial application for UI compensation.) Of the 1,900 fewer claimants in this earnings category, 74% (over 1,400) had been employed in the construction industry. (See Figure 3.)

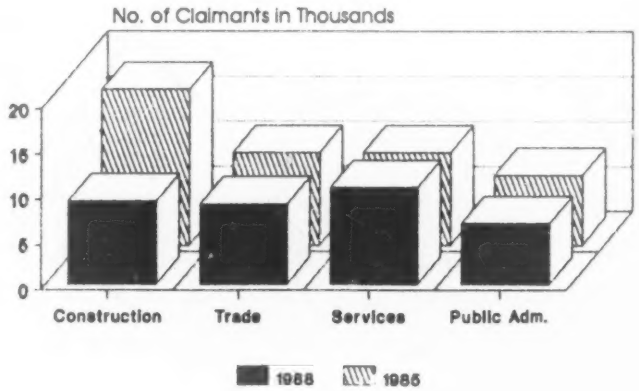
Natives' Share of Total Claims Rose Between 1985 and 1988

The racial mix of UI claimants has also changed in the last three years. Alaska natives have increased their share of total claimant numbers. Although the number of both native and white claimants has lessened, whites' UI claims have decreased at nearly twice the rate as that of Alaska natives.

The primary reason for the 11,300-plus drop in white UI claims is due to the construction industry decline. The construction industry's 1985 white claimants numbered over 15,000; the industry's 1988 white claimants numbered only 8,004. This drop accounts for 62.4% of the total decline in the number of whites claiming UI since 1985. (See Figure 4.)

Figure 1

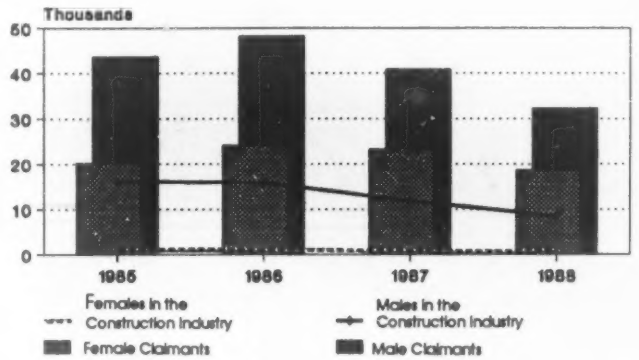
UI Claimant Characteristics Among the Four Leading Industries of 1985



Source: Alaska Department of Labor, Research & Analysis

Figure 2

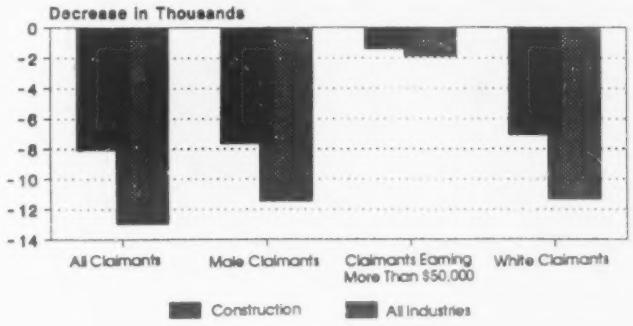
UI Claimants, Male & Female, 1985-1988



Source: Alaska Department of Labor, Research & Analysis

Figure 3

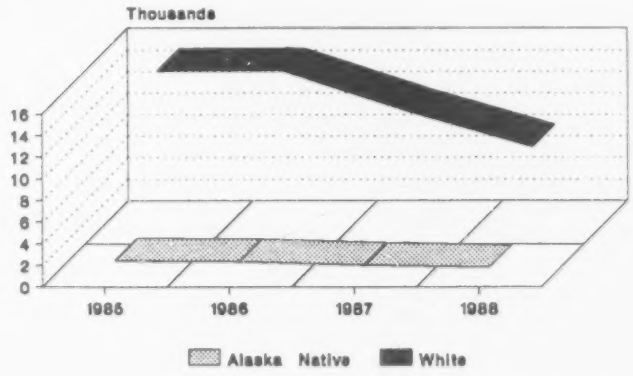
Total Decline in Claimants – Construction & All Industries, 1985 to 1988



Source: Alaska Department of Labor, Research & Analysis

Figure 4

Claimant Characteristics – Construction Industry by Race



Source: Alaska Department of Labor, Research & Analysis

Changes in claimants' ages between 1985 and 1988 also prove interesting. Although their total numbers have dropped slightly, the number of claimants aged 35 to 54 has grown in proportion to the whole. This is true for the general claimant population and for construction industry claimants. The percentage of construction industry claimants in this age group grew from 41.2% in 1985 to 49.7% in 1988.

Future Claimant Characteristic Changes Will Come More Slowly

Without doubt the most recent recession and its effects on Alaska's construction industry carries nearly all responsibility for the way claimant characteristics have changed during the past four years.

If employment within the construction industry continues to decline in relation to other Alaska industries, then current trends will also continue.

However, if the price of oil rebounds sufficiently, there could develop a large rise in the state's capital construction budget, and with that an elimination of some regions' housing surpluses. If this scenario were to occur, the construction industry could be rebuilt, and recent claimant characteristic trends could stabilize or reverse.

Either way, future changes in UI claimant characteristics will occur less rapidly than the changes of recent years.

About the Author:

Thom Wylie is a labor economist employed two years with the Research & Analysis Section, Administrative Services Division, Alaska Department of Labor. He is based in Juneau.

1988 Characteristics of UI Claimants from the Construction Industry

Characteristics of claimants from all industries	All Claimants Calendar Year 1985 No.	% of Total	All Claimants Calendar Year 1988 No.	% of Total
TOTAL	17,247	100.0	9,199	100.0
SEX:				
Male	16,205	94.0	8,557	93.0
Female	1,042	6.0	642	7.0
AGE:				
Less than 21	373	2.2	109	1.2
21-24	1,431	8.3	423	4.6
25-34	6,656	38.6	3,524	38.3
35-44	4,596	26.6	3,113	33.8
45-54	2,522	14.6	1,461	15.9
55-64	1,204	7.0	505	5.5
65+	465	2.7	64	0.7
NUMBER OF DEPENDENTS:				
0	10,584	61.4	5,311	57.7
1	2,540	14.7	1,362	14.8
2	2,543	14.7	1,495	16.3
3+	1,580	9.2	1,031	11.2
ETHNIC BACKGROUND:				
Alaska Native/American Indian	1,479	8.6	864	9.4
Asian and Pacific Islander	89	0.5	38	0.4
Black	260	1.5	128	1.4
Hispanic	213	1.2	129	1.4
White	15,070	87.4	8,004	87.0
No Information	136	0.8	36	0.4

Characteristics of claimants from all industries	All Claimants Calendar Year 1985 No.	% of Total	All Claimants Calendar Year 1988 No.	% of Total
AVERAGE ANNUAL EARNINGS:				
$ 0- 999	8	0.0	0	0.0
1,000- 9,999	2,470	14.3	1,496	16.3
10,000-19,999	4,289	24.9	2,466	26.8
20,000-20,999	3,786	22.0	2,218	24.1
30,000-39,999	2,677	15.5	1,397	15.2
40,000-49,999	1,827	10.6	844	9.2
50,000-59,999	1,035	6.0	485	5.3
60,000-69,999	543	3.1	181	2.0
70,000-79,999	319	1.8	76	0.8
80,000-89,999	187	1.1	23	0.3
90,000+	106	0.6	13	0.1
LOCAL OFFICE:				
Total	17,247	100.0	9,199	100.0
Anchorage	4,838	28.1	2,511	27.3
Central - Interstate Claims	3,277	19.0	1,363	14.8
Central - Mail Claims	2,055	11.9	905	9.8
Eagle River	/1	/1	377	4.1
Fairbanks	3,116	18.1	1,698	18.5
Homer	/1	/1	175	1.9
Juneau	550	3.2	254	2.8
Kenai	991	5.7	557	6.1
Ketchikan	261	1.5	124	1.3
Kodiak	188	1.1	90	1.0
Matanuska-Susitna	1,712	9.9	947	10.3
Seward	107	0.6	72	0.8
Sitka	152	0.9	95	1.0
Valdez	/1	/1	31	0.3

Note: /1 – These local offices were not in operation in 1985.

Source: Alaska Department of Labor, Research & Analysis, 1985 and 1988. RESP 8003, Claimant Characteristics Tape, Calendar Year 1985 and 1988.

Analysis: Migration & Employment During Two Recent Recessions

A look at insured unemployment trends and Alaska's economy.

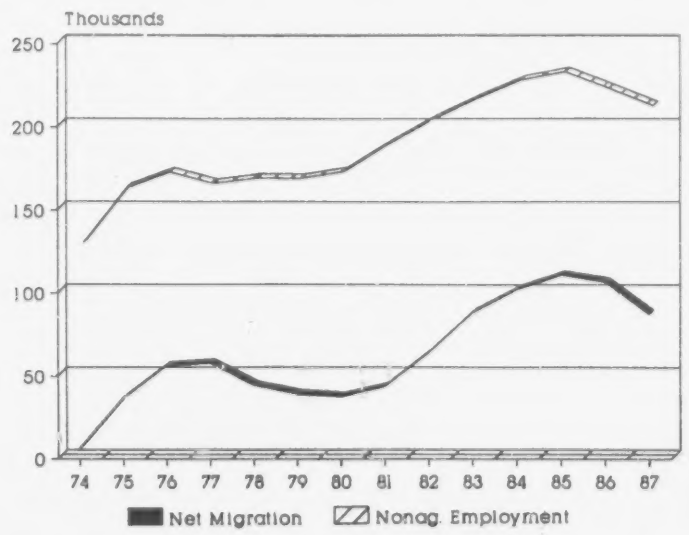
By Brian N. Rae

There are numerous sets of economic data available which gauge the health of the Alaska economy. The monthly industry employment estimates reported in *Alaska Economic Trends* are one such indicator. The unemployment rate series are another way to measure the economy's strength. An additional measure is provided by studying the characteristics of unemployed workers who apply for Unemployment Insurance (UI) compensation.

Examining the records of those who receive unemployment benefits provides insight into the Alaska economy because 90 percent of working Alaskans are covered by the UI system. Alaska's unemployment system operates like an insurance policy; accounts are opened for all employed in jobs covered by the system. 1/ As a result, there exists detailed information about the unemployed covered by UI.

Figure 1

Alaska Employment and Migration, 1974-1987



Source: Alaska Department of Labor, Research & Analysis

About one-half of Alaska's unemployed are covered by unemployment insurance. Those unemployed excluded from this analysis of the state UI system include:

- New workers entering or re-entering the labor force,
- Self-employed individuals, and
- Workers in industries not covered by unemployment insurance. (In Alaska, fish harvesters are the largest group of employees not covered by UI.)

Workers fitting into any one of these three categories could be considered unemployed. They are excluded,

1/ For additional information on the UI system see the February 1989 issue of *Alaska Economic Trends*.